



[TRANSLATION]

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Securities Code: 8697

May 25, 2018

## Notice of the 17<sup>th</sup> Annual General Shareholders Meeting

Dear Shareholder,

You are cordially invited to attend the 17th Annual General Shareholders Meeting of Japan Exchange Group, Inc. (hereinafter the "Company") to be held as described below.

If you are unable to attend, please review the items in the reference documents for the general shareholders meeting described in this Notice and indicate your approval or disapproval either by returning the enclosed form for exercise of voting rights or via electromagnetic means by accessing the website indicated in the form. Votes must be received by 4:45 p.m., Tuesday, June 19, 2018.

Sincerely yours,

Akira Kiyota  
Director & Representative Executive Officer, Group CEO  
Japan Exchange Group, Inc.  
2-1, Nihombashi-Kabuto-cho,  
Chuo-ku, Tokyo

Regarding exercise of voting rights

1. Exercise of voting rights in writing (postal mail)

Please indicate your approval or disapproval and return the enclosed form for exercise of voting rights by the deadline indicated above.

2. Exercise of voting rights by electromagnetic means (via the Internet)

Please access the website (<https://evote.tr.mufg.jp/>) designated by the Company and follow on-screen instructions to indicate your approval or disapproval by the deadline indicated above.

## MEETING AGENDA

1. Date and Time 10:00 a.m., Wednesday, June 20, 2018 (Reception desk will open at 9:00 a.m.)

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2. Venue Royal Hall  
3rd Floor, Royal Park Hotel  
2-1-1 Nihombashi-Kakigara-cho, Chuo-ku, Tokyo

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3. Objectives of Meeting

- Matters to Be Reported
1. The Business Report, the Consolidated Financial Statements and the Reports on the audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee for the 17th term (from April 1, 2017 to March 31, 2018)
  2. The Non-consolidated Financial Statements for the 17th term (from April 1, 2017 to March 31, 2018)

Matter to Be Resolved

Proposal Election of Fourteen (14) Directors

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- When attending the general shareholders meeting in person, you are kindly requested to submit the enclosed form for exercise of voting rights at the reception desk. Please note that persons, such as proxies and accompanying persons, other than the shareholders who are eligible to vote will not be allowed entry to the meeting even if they bring the form for exercise of voting rights with them (however, an assisting person, guide dog, hearing dog, service dog or other assistance animal will be allowed entry to assist a shareholder with physical disability).
- If the need arises to amend the reference documents for the general shareholders meeting, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, the amendments will be posted on the Company's website. (<https://www.jpx.co.jp/english/corporate/investor-relations/>)
- In cases where a shareholder votes more than once by sending the form for exercise of voting rights via postal mail and via the Internet, etc., the vote cast via the Internet, etc. shall be considered the effective vote. In cases where a shareholder votes via the Internet, etc. multiple times or via the websites for both computers and mobile telephones, the final vote cast will be considered the effective vote.
- To ensure that information is furnished in a timely manner, the contents of this Notice were disclosed on the Company's website before this Notice was sent out.

Reference documents for the general shareholders meeting






Proposal

## Election of Fourteen (14) Directors

The term of office of all thirteen (13) Directors will expire upon the conclusion of this annual general shareholders meeting. Accordingly, based on the decision of the Nomination Committee, fourteen (14) Directors have been put forth for election. The candidates for Directors are as follows. Please refer to pages 7 to 20 for the brief biographies of the candidates for Directors.

Details on the Company's corporate governance system can also be found on pages 43 to 45, and the policies and procedures, etc. for nominating the candidates for Directors on page 5.

Candidate No.	Name	Position and Responsibilities at the Company	Area of Expertise					
			Corporate Management	Financial Audit	Legal Affairs	Researcher Government Agencies	Technology	
								
<b>Directors</b>								
1	Hiroki Tsuda	Director Chairperson of the Board of Directors	Re-election Candidate for Outside Director	-	-	-	-	-
2	Akira Kiyota	Director and Representative Executive Officer, Group CEO Chairperson of the Nomination Committee Member of the Compensation Committee Member of the Risk Policy Committee	Re-election	-	-	-	-	-
3	Koichiro Miyahara	Director and Executive Officer Member of the Nomination Committee Member of the Compensation Committee	Re-election	-	-	-	-	-
4	Hiromi Yamaji	Director and Executive Officer	Re-election	-	-	-	-	-
5	Hironaga Miyama	Director and Executive Officer	Re-election	-	-	-	-	-
6	Christina Ahmadjian	Director Member of the Compensation Committee Member of the Audit Committee	Re-election Independent Director Candidate for Outside Director				•	
7	Nobuhiro Endo	-	New Independent Director Candidate for Outside Director	•				•
8	Hitoshi Ogita	Director Member of the Nomination Committee Chairperson of the Independent Outside Directors Committee	Re-election Independent Director Candidate for Outside Director	•				

Candidate No.	Name	Position and Responsibilities at the Company		Area of Expertise				
				Corporate Management	Financial Audit	Legal Affairs	Researcher Government Agencies	Technology
								
9	Hideaki Kubori	Director Member of the Nomination Committee Chairperson of the Risk Policy Committee	Re-election Independent Director Candidate for Outside Director			●		
10	Main Kohda	Director Member of the Audit Committee Member of the Risk Policy Committee	Re-election Independent Director Candidate for Outside Director				●	
11	Eizo Kobayashi	Director Member of the Nomination Committee Chairperson of the Compensation Committee	Re-election Independent Director Candidate for Outside Director	●				
12	Makoto Minoguchi	Director Member of the Audit Committee (Full-time)	Re-election	–	–	–	–	–
13	Kimitaka Mori	Director Member of the Compensation Committee Member of the Audit Committee	Re-election Independent Director Candidate for Outside Director		●			
14	Tsuyoshi Yoneda	Director Chairperson of the Audit Committee Member of the Risk Policy Committee	Re-election Independent Director Candidate for Outside Director				●	

**• Policies and procedures for nominating the candidates for Directors**

The Company is a company with a nomination committee and other committees. It has established a statutory Nomination Committee for the purpose of ensuring transparency and objectivity concerning appointment and removal of directors and executive officers. The Nomination Committee is composed of a majority of independent outside directors. Proposals for appointment and removal of directors are thoroughly deliberated by the Nomination Committee and put forth for approval at general shareholders meetings.

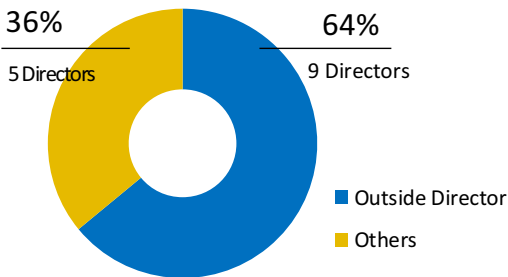
For nominating candidates for directors, the Nomination Committee sets the following three qualities that compose the basic policies for selection:

- (1) possession of professional knowledge of the Company’s business, abundant experience as a corporate manager, or have expertise in law, accounting, or finance,
- (2) possession of the character and insight to make fair judgment on the Company’s business as a director, and
- (3) absence of any health issues that could hinder performance of duties as a director.

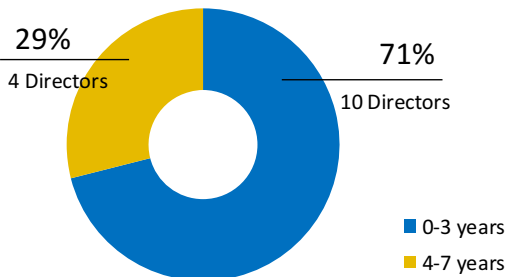
In addition, the Nomination Committee is composed of a majority of independent outside directors to raise the transparency of management and increase accountability, as well as strengthen its function to supervise the appropriateness of business execution. The independent outside directors in the committee are from a wide variety of fields. Each director attends board of director meetings, etc. to contribute expert knowledge and experience and participate in discussions. Based on this structure, the Company aims to realize the corporate philosophy.

Please refer to pages 22 and 23 for details on the independence standards and qualification for the Company’s independent outside directors.

**• If this proposal is approved, the ratio of Outside Directors on the Board of Directors will be as shown below.**



**• If this proposal is approved, each Director’s tenure will be as shown below.**



- In the event that this proposal is approved, the composition of each committee and the number of listed companies, other than the Company, where an officer position is concurrently held will be as shown below.

Name	Committee (Scheduled)					No. of listed companies other than the Company where an officer position is concurrently held	
	Nomination	Compensation	Audit	Independent Outside Directors	Risk Policy	Executive Officer	Director/Auditor
Hiroki Tsuda						0	0
Akira Kiyota	●	●			●	0	0
Koichiro Miyahara		●				0	0
Hiroshi Yamaji						0	0
Hironaga Miyama						0	0
Christina Ahmadjian		●	●	●		0	2
Nobuhiro Endo	●			●		1	1
Hitoshi Ogita	◎			◎		0	1
Hideaki Kubori	●			●	◎	0	1
Main Kohda			●	●	●	0	3
Eizo Kobayashi	●	◎		●		0	2
Makoto Minoguchi			●			0	0
Kimitaka Mori		●	●	●		0	2
Tsuyoshi Yoneda			◎	●	●	0	1

(Note) ◎ indicates a chairperson. Please refer to pages 43 and 45 for an outline of each committee.

Candidate number <b>1</b>	<b>Hiroki Tsuda</b>	Date of birth Aug. 11, 1948
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FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)

Re-election

Candidate for  
Outside Director

<b>Tenure as Outside Director</b> 3 years	<b>No. of Company shares held</b> 800 shares	<b>No. of listed companies where an officer position is concurrently held</b> 0
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**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

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

**(Area of Responsibility)**

Chairperson of the Board of Directors

**Reason for Nomination as Outside Director**

Mr. Hiroki Tsuda has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his abundant experience and insight in financial policy, which can be expected to be reflected in the management of the Company. Although Mr. Tsuda was not previously involved in corporate management, other than in the capacity of Outside Director or Outside Corporate Auditor, based on the above reasons, it was determined that Mr. Tsuda will be able to appropriately conduct the duties of Outside Director.

Candidate number <b>2</b>	<b>Akira Kiyota</b>	Date of birth: May 6, 1945
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FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)  
Nomination Committee  
4/4 (100%)  
Compensation  
Committee  
3/3 (100%)

Re-election

<b>Tenure as Director</b> 5 years	<b>No. of Company shares held</b> 24,000 shares	<b>No. of listed companies where an officer position is concurrently held</b> 0
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**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1969	Joined Daiwa Securities Co. Ltd. (currently Daiwa Securities Group Inc.)
Jun. 1994	Director, Head of Tobu Area Sales Division
May 1996	Director, Head of Bond & Finance Division
Jun. 1997	Managing Director, Head of Bond & Finance Division
Oct. 1997	Deputy President
Apr. 1999	President, Daiwa Securities SB Capital Markets Co. Ltd. (currently Daiwa Securities Co. Ltd.)
Jun. 2004	Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc. Chairman of the Institute, Daiwa Institute of Research Ltd.
Jun. 2008	Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
Apr. 2011	Director and Honorary Chairman
Jun. 2011	Honorary Chairman
Jun. 2013	Director of the Company (current position) President & CEO, Tokyo Stock Exchange, Inc.
Jun. 2015	Representative Executive Officer, Group CEO of the Company (current position) Director, Tokyo Stock Exchange, Inc. (current position)

**(Areas of Responsibility)**

- Group CEO
- Chairperson of the Nomination Committee
- Member of the Compensation Committee
- Member of the Risk Policy Committee

**(Significant Concurrent Position)**

- Director, Tokyo Stock Exchange, Inc.

**Reason for Nomination as Director**

Mr. Akira Kiyota was appointed as a Director in June 2013 due to his abundant experience and insight in securities markets through his business at a securities company, which could be reflected in the management of the Company. Afterwards, he has managed the Company as Director & Representative Executive Officer, Group CEO since June 2015 as the best person for CEO and due to, among others, his experience and track record of leading the cash equity market for two years, which covered the promotion of the implementation of Japan's Corporate Governance Code. Based on his experience with JPX Group, he is deemed appropriate as a Member of the Board of Directors and has, therefore, been put forth as a candidate for Director.



Candidate number <b>3</b>	<b>Koichiro Miyahara</b>	Date of birth Mar. 10, 1957
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FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)  
Nomination Committee  
4/4 (100%)  
Compensation  
Committee  
3/3 (100%)

Re-election

**Tenure as Director**  
3 years

**No. of Company shares held**  
24,600 shares

**No. of listed companies where an officer position is concurrently held**  
0

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

- Apr. 1979    Joined Electric Power Development Co., Ltd.
- Apr. 1988    Joined Tokyo Stock Exchange
- Jun. 2002    Director, General Administration Department, Tokyo Stock Exchange, Inc.
- Jun. 2004    Director, Information Services Department
- Jun. 2005    President, Representative Director, ICJ, Inc.
- Dec. 2005    Executive Officer, Tokyo Stock Exchange, Inc.
- Oct. 2007    Standing Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)
- Jun. 2009    Senior Executive Officer, Tokyo Stock Exchange Group, Inc.
- Jan. 2013    Senior Executive Officer of the Company  
Senior Executive Officer, Tokyo Stock Exchange, Inc.
- Jun. 2014    Executive Vice President of the Company
- Jun. 2015    Director of the Company (current position)  
President & CEO, Tokyo Stock Exchange, Inc. (current position)
- Nov. 2015    Executive Officer of the Company (current position)

**(Areas of Responsibility)**

- Member of the Nomination Committee
- Member of the Compensation Committee

**(Significant Concurrent Position)**

- President & CEO, Tokyo Stock Exchange, Inc.

**Reason for Nomination as Director**

Mr. Koichiro Miyahara was appointed as a Director in June 2015 as his considerable knowledge and experience regarding the exchange business in general could be reflected in the management of the Company. Subsequently, as President & CEO, he manages and oversees the overall business and operations of Tokyo Stock Exchange, Inc., a core subsidiary of JPX Group managing cash equity markets. Based on his experience with JPX Group, he is deemed appropriate as a Member of the Board of Directors and has, therefore, been put forth as a candidate for Director.

Candidate number <b>4</b>	<b>Hiromi Yamaji</b>	Date of birth Mar. 8, 1955
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FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)

Re-election
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**Tenure as Director**  
5 years

**No. of Company shares held**  
15,600 shares

**No. of listed companies where an officer position is concurrently held**  
0

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

- Apr. 1977    Joined The Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)
- Jun. 1997    General Manager, Personnel Department
- Jun. 1998    Member of the Board in charge of Investment Banking Products Division
- Jun. 2000    Managing Director, Head of Global Investment Banking Division
- Apr. 2002    President & CEO, Nomura Europe Holdings plc (London) and Chairman, Nomura Holding America Inc. (New York)
- Apr. 2007    Executive Vice President, Global Investment Banking, in charge of Corporate Finance Division, Nomura Securities Co., Ltd.
- Jun. 2013    Director of the Company (current position)
- Nov. 2015    Executive Officer of the Company (current position)

**(Significant Concurrent Position)**

President & CEO, Osaka Exchange, Inc.

**Reason for Nomination as Director**

Mr. Hiromi Yamaji was appointed as a Director in June 2013 as his abundant experience and insight acquired through working at a securities company could be reflected in the management of the Company. Subsequently, as President & CEO, he manages and oversees the overall business and operations of Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.), a core subsidiary of JPX Group managing derivatives markets. Based on his experience with JPX Group, he is deemed appropriate as a Member of the Board of Directors and has, therefore, been put forth as a candidate for Director.

Candidate number <b>5</b>	<b>Hironaga Miyama</b>	Date of birth Oct. 20, 1954
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FY2017  
Meeting Attendance  
Board of Directors  
9/9 (100%)

Re-election
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<b>Tenure as Director</b> 1 year	<b>No. of Company shares held</b> 12,300 shares	<b>No. of listed companies where an officer position is concurrently held</b> 0
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**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

- Apr. 1978    Joined Tokyo Stock Exchange
- Nov. 2001    Director, Derivatives Department, Tokyo Stock Exchange, Inc.
- Jun. 2003    Director, Treasury Department
- Jun. 2004    Director, Corporate Strategy Department
- Jun. 2005    Executive Officer
- Jun. 2007    Senior Executive Officer
- Jun. 2011    Managing Director
- Jun. 2013    President & CEO, Japan Securities Clearing Corporation (current position)
- Apr. 2016    Executive Officer of the Company (current position)
- Jun. 2017    Director of the Company (current position)

**(Significant Concurrent Position)**

President & CEO, Japan Securities Clearing Corporation

**Reason for Nomination as Director**

Mr. Hironaga Miyama was appointed as a Director in June 2017 as his considerable knowledge and experience regarding the exchange business in general could be reflected in the management of the Company. He has engaged in operations in relation to, among others, corporate strategy, treasury, equities, and derivatives at JPX Group; and, from June 2013, has held the position of President & CEO of Japan Securities Clearing Corporation (JSCC), a core subsidiary of JPX Group engaging in clearing of listed products, where he has managed and overseen JSCC's overall business and operations. Based on his experience with JPX Group, he is deemed appropriate as a Member of the Board of Directors and has, therefore, been put forth as a candidate for Director.

Candidate number

6

Christina Ahmadjian

Date of birth  
Mar. 5, 1959



FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)  
Compensation  
Committee  
3/3 (100%)  
Audit Committee  
11/11 (100%)

Re-election
Independent Director
Candidate for Outside Director

**Tenure as Outside Director** 4 years  
**No. of Company shares held** 800 shares

**No. of listed companies where an officer position is concurrently held**  
2

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

- Jan. 1995 Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)
- Oct. 2001 Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
- Jan. 2004 Professor, Graduate School of International Corporate Strategy
- Apr. 2010 Dean, Graduate School of International Corporate Strategy
- Apr. 2012 Professor, Graduate School of Commerce and Management
- Jun. 2012 Outside Director, Mitsubishi Heavy Industries, Ltd. (current position)
- Jun. 2014 Outside Director of the Company (current position)
- Apr. 2018 Professor, Graduate School of Business Administration, Hitotsubashi University (current position)
- Jun. 2018 Outside Director, Sumitomo Electric Industries, Ltd. (expected to assume the position on June 27, 2018)

**(Areas of Responsibility)**

- Member of the Compensation Committee
- Member of the Audit Committee

**(Significant Concurrent Positions)**

- Professor, Graduate School of Business Administration, Hitotsubashi University
- Outside Director, Mitsubishi Heavy Industries, Ltd.
- Outside Director, Sumitomo Electric Industries, Ltd. (expected to assume the position on June 27, 2018)

**Reason for Nomination as Outside Director**

Ms. Christina Ahmadjian has been put forth as a candidate for Outside Director due to her capacity to identify with the Company's corporate philosophy and social mission, as well as her insight in corporate strategy from a technical perspective as an academic, which can be expected to be reflected in the management of the Company. Although Ms. Ahmadjian was not previously involved in corporate management, other than in the capacity of Outside Director or Outside Corporate Auditor, based on the above reasons, it was determined that Ms. Ahmadjian will be able to appropriately conduct the duties of Outside Director.

Candidate number  <b>7</b>	<b>Nobuhiro Endo</b>	Date of birth Nov. 8, 1953		
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New
Candidate for Outside Director
Independent Director

<b>Tenure as Outside Director</b>	<b>No. of Company shares held</b>	<b>No. of listed companies where an officer position is concurrently held</b>
-	0 shares	2

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1981	Joined NEC Corporation
Apr. 2006	Associate Senior Vice President, Executive General Manager of Mobile Network Operations Unit
Apr. 2009	Executive Vice President
Jun. 2009	Executive Vice President and Member of the Board
Apr. 2010	President (Representative Director)
Apr. 2016	Chairman of the Board (Representative Director) (current position)
Jun. 2016	Outside Director, JAPAN POST INSURANCE Co., Ltd. (expected to retire in June 2018)
Jun. 2017	Outside Director, Seiko Holdings Corporation (current position)

**(Significant Concurrent Positions)**

Chairman of the Board (Representative Director), NEC Corporation  
 Outside Director, JAPAN POST INSURANCE Co., Ltd. (expected to retire in June 2018)  
 Outside Director, Seiko Holdings Corporation

**Reason for Nomination as Outside Director**

Mr. Nobuhiro Endo has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management and system networks, which can be expected to be reflected in the management of the Company.

Candidate number	<b>8 Hitoshi Ogita</b>	Date of birth Jan. 1, 1942	
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FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)  
Nomination Committee  
4/4 (100%)

Re-election
Independent Director
Candidate for Outside Director

<b>Tenure as Outside Director</b> 2 years	<b>No. of Company shares held</b> 3,800 shares	<b>No. of listed companies where an officer position is concurrently held</b> 1
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**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1965	Joined Asahi Breweries, Ltd. (currently Asahi Group Holdings, Ltd.)
Mar. 1997	Director, General Manager of Fukuoka Branch
Mar. 2000	Managing Corporate Officer, Senior General Manager of Kyushu Regional Headquarters
Mar. 2002	Senior Managing Corporate Officer, Senior General Manager of Kanshin-etsu Regional Headquarters
Sep. 2002	Corporate Officer, Vice President, Asahi Soft Drinks Co., Ltd.
Mar. 2003	President and Representative Director
Mar. 2006	President and Representative Director, Asahi Breweries, Ltd.
Mar. 2010	Chairman of the Board and Representative Director
Jun. 2010	Outside Director, Imperial Hotel, Ltd. (current position)
Jun. 2012	Outside Director, NEC Corporation (expected to retire on June 25, 2018)
Mar. 2014	Senior Adviser, Asahi Group Holdings, Ltd. (current position)
Jun. 2016	Outside Director of the Company (current position)

**(Areas of Responsibility)**

Member of the Nomination Committee  
Chairperson of the Independent Outside Directors Committee

**(Significant Concurrent Positions)**

Senior Adviser, Asahi Group Holdings, Ltd.  
Outside Director, Imperial Hotel, Ltd.  
Outside Director, NEC Corporation (expected to retire on June 25, 2018)

**Reason for Nomination as Outside Director**

Mr. Hitoshi Ogita has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management, which can be expected to be reflected in the management of the Company.

Candidate  
number

9

Hideaki Kubori

Date of birth  
Aug. 29, 1944



FY2017  
Meeting Attendance

Board of Directors  
11/11 (100%)

Nomination Committee  
4/4 (100%)

Re-election

Independent  
Director

Candidate for  
Outside Director

**Tenure as Outside Director** 5 years and 6 months  
**No. of Company shares held** 500 shares

**No. of listed companies where an officer position is concurrently held**  
1

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1971 Registration as Attorney-at-Law (current position)  
Joined Mori Sogo (currently Mori Hamada & Matsumoto)

Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)

Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, Japan Federation of Bar Associations

Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc.  
Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)

Jan. 2013 Outside Director of the Company (current position)

Jun. 2014 Outside Director, SOURCENEXT CORPORATION (current position)

Apr. 2015 Professor, Toin Law School (current position)

Apr. 2018 Outside Director, Coincheck, Inc. (current position)

**(Area of Responsibility)**

Member of the Nomination Committee  
Chairperson of the Risk Policy Committee

**(Significant Concurrent Positions)**

Attorney-at-Law  
Representative, HIBIYA PARK LAW OFFICES  
Outside Director, SOURCENEXT CORPORATION  
Professor, Toin Law School  
Member of the Supervisory Committee, The Norinchukin Bank  
Outside Director, Coincheck, Inc.

**Reason for Nomination as Outside Director**

Mr. Hideaki Kubori has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his insight in corporate legal affairs from a technical perspective as a legal professional, which can be expected to be reflected in the management of the Company. Although Mr. Kubori was not previously involved in corporate management, other than in the capacity of Outside Director or Outside Corporate Auditor, based on the above reasons, it was determined that Mr. Kubori will be able to appropriately conduct the duties of Outside Director.

Candidate  
number

10

Main Kohda

Date of birth  
Apr. 25, 1951



FY2017  
Meeting Attendance  
Board of Directors  
11/11 (100%)  
Audit Committee  
11/11 (100%)

Re-election

Independent  
Director

Candidate for  
Outside Director

**Tenure as Outside Director** 2 years  
**No. of Company shares held** 800 shares

**No. of listed companies where an  
officer position is concurrently held**  
3

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Sep. 1995 Started independently as Novelist, to the present  
Jan. 2003 Member of Fiscal System Council, Ministry of Finance Japan  
Apr. 2004 Visiting professor, Faculty of Economics, Shiga University  
Mar. 2005 Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism  
Nov. 2006 Member of the Tax Commission, Cabinet Office, Government of Japan  
Jun. 2010 Member of the Board of Governors, Japan Broadcasting Corporation  
Jun. 2012 Outside Director, Japan Tobacco Inc. (current position)  
Jun. 2013 Outside Director, LIXIL Group Corporation (current position)  
Jun. 2016 Outside Director of the Company (current position)  
Jun. 2018 Non-Executive Director, MITSUBISHI MOTORS CORPORATION (expected to assume the position on June 22, 2018)

**(Area of Responsibility)**

Member of the Audit Committee  
Member of the Risk Policy Committee

**(Significant Concurrent Positions)**

Novelist  
Outside Director, Japan Tobacco Inc.  
Outside Director, LIXIL Group Corporation  
Non-Executive Director, MITSUBISHI MOTORS CORPORATION (expected to assume the position on June 22, 2018)

**Reason for Nomination as Outside Director**

Ms. Main Kohda has been put forth as a candidate for Outside Director due to her capacity to identify with the Company's corporate philosophy and social mission, as well as her creativity and her perception as a novelist, her insight in finance, and her experience in serving as a university professor and a member of government advisory councils, which can be expected to be reflected in the management of the Company.



Candidate number

11

Eizo Kobayashi

Date of birth  
Jan. 7, 1949



FY2017

Meeting Attendance

Board of Directors  
10/11 (91%)

Nomination Committee  
3/3 (100%)

Compensation  
Committee  
3/3 (100%)

Re-election

Independent  
Director

Candidate for  
Outside Director

**Tenure as Outside Director** 2 years  
**No. of Company shares held** 1,600 shares

**No. of listed companies where an officer position is concurrently held**  
2

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1972 Joined C. Itoh & Co. Ltd. (currently ITOCHU Corporation)  
Jun. 2000 Executive Officer  
Apr. 2002 Managing Executive Officer  
Jun. 2003 Representative Director, Managing Director  
Apr. 2004 Representative Director, Senior Managing Director  
Jun. 2004 President & Chief Executive Officer  
Apr. 2010 Representative Director, Chairman  
Jun. 2011 Director, Chairman  
Jun. 2013 Outside Director, OMRON Corporation (current position)  
Jun. 2015 Counsellor, Bank of Japan (current position)  
External Director, Japan Airlines Co., Ltd. (current position)  
Jun. 2016 Outside Director of the Company (current position)  
Chairman, ITOCHU Corporation  
Apr. 2018 Senior Representative for Business Community Relations (non-executive) (current position)

**(Area of Responsibility)**

Member of the Nomination Committee  
Chairperson of the Compensation Committee

**(Significant Concurrent Positions)**

Senior Representative for Business Community Relations, ITOCHU Corporation (non-executive)  
Chairman, ITOCHU Foundation  
Chairman, Japan Foreign Trade Council, Inc. (expected to retire on May 31, 2018)  
Outside Director, OMRON Corporation  
Counsellor, Bank of Japan  
External Director, Japan Airlines Co., Ltd.  
Outside Director, Nippon Venture Capital Co., Ltd.  
Chairman, National Federation of Corporate Taxpayers Associations  
Administrative Director, The Public Interest Incorporated Foundation Tohoren Mutual Benefit Association for Specific Retirement Allowance

**Reason for Nomination as Outside Director**

Mr. Eizo Kobayashi has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his abundant experience and insight in corporate management, which can be expected to be reflected in the management of the Company.

Candidate number <b>12</b>	<b>Makoto Minoguchi</b>	Date of birth Mar. 14, 1961
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FY2017  
Meeting Attendance

Board of Directors  
9/9 (100%)

Audit Committee  
9/9 (100%)

Re-election
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<b>Tenure as Director</b> 1 year	<b>No. of Company shares held</b> 7,700 shares	<b>No. of listed companies where an officer position is concurrently held</b> 0
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**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

- Apr. 1984    Joined Tokyo Stock Exchange
- Jun. 2007    Director, General Administration Department, Tokyo Stock Exchange, Inc.
- Aug. 2007    Director, General Administration Department, Tokyo Stock Exchange Group, Inc.
- Jun. 2009    Director, Corporate Strategy Department
- Oct. 2010    Director, Listing Examination Department, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)
- Jun. 2011    Standing Governor
- Jun. 2015    Managing Director, Japan Securities Clearing Corporation
- Apr. 2017    Managing Director and Executive Officer
- Jun. 2017    Director of the Company (current position)  
Statutory Auditor, Tokyo Stock Exchange, Inc. (current position)

**(Area of Responsibility)**

Member of the Audit Committee (Full-time)

**(Significant Concurrent Position)**

Statutory Auditor, Tokyo Stock Exchange, Inc.

**Reason for Nomination as Director**

Mr. Makoto Minoguchi joined Tokyo Stock Exchange in 1984 and has been mainly responsible for operations in general administration, corporate strategy, listing examination, and listing management at JPX Group. He has been put forth as a candidate for Director due to his considerable knowledge and experience regarding the exchange business in general, which can be expected to be advantageous in monitoring and supervising the execution of business at the Company.

Candidate number

13

Kimitaka Mori

Date of birth  
Jun. 30, 1957

FY2017

Meeting Attendance

Board of Directors  
10/11 (91%)Compensation  
Committee  
2/2 (100%)Audit Committee  
10/11 (91%)

Re-election

Independent  
DirectorCandidate for  
Outside Director

**Tenure as Outside Director** 1 year and 11 months  
**No. of Company shares held** 1,600 shares

**No. of listed companies where an officer position is concurrently held**  
2

**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1980 Joined Shinwa Accountants (currently KPMG AZSA LLC)  
 Jun. 2000 Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)  
 Jun. 2004 Director of financial services, KPMG AZSA & Co. (currently KPMG AZSA LLC)  
 Jun. 2006 Board Member, KPMG AZSA & Co.  
 Jul. 2011 Chairman, KPMG FS Japan  
 Jun. 2013 Retired from KPMG AZSA LLC  
 Jul. 2013 Established Mori Certified Public Accountant Office  
 Chairman and President, The Japanese Institute of Certified Public Accountants  
 Jul. 2016 Advisor, The Japanese Institute of Certified Public Accountants (current position)  
 Outside Director of the Company (current position)  
 Jun. 2017 Outside Corporate Auditor, MITSUI & CO., LTD. (current position)  
 Outside Corporate Auditor, East Japan Railway Company (current position)  
 Jul. 2017 Outside Director, SUMITOMO LIFE INSURANCE COMPANY (current position)

**(Area of Responsibility)**

Member of the Compensation Committee  
 Member of the Audit Committee

**(Significant Concurrent Positions)**

Certified Public Accountant  
 Advisor, The Japanese Institute of Certified Public Accountants  
 Outside Corporate Auditor, MITSUI & CO., LTD.  
 Outside Corporate Auditor, East Japan Railway Company  
 Outside Director, SUMITOMO LIFE INSURANCE COMPANY

**Reason for Nomination as Outside Director**

Mr. Kimitaka Mori has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his insight in corporate accounting in his capacity as an accounting professional, which can be expected to be reflected in the management of the Company. Although Mr. Mori was not previously involved in corporate management other than being an Outside Director or Outside Corporate Auditor, based on the above reasons, it was determined that Mr. Mori will be able to appropriately conduct the duties of Outside Director.

Candidate number

14

Tsuyoshi Yoneda

Date of birth  
Apr. 7, 1952

FY2017

Meeting Attendance

Board of Directors  
11/11 (100%)Audit Committee  
11/11 (100%)

Re-election

Independent  
DirectorCandidate for  
Outside DirectorTenure as Outside Director 3 years  
No. of Company shares held 1,300 sharesNo. of listed companies where an officer position is concurrently held  
1**Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)**

Apr. 1976 Joined National Police Agency  
 Jul. 1997 General Manager, Wakayama Prefectural Police Headquarters  
 Sep. 2001 General Manager, Criminal Affairs Department, Metropolitan Police Department  
 Aug. 2003 General Manager, Kyoto Prefectural Police Headquarters  
 May 2005 General Manager, Organized Crime Department, National Police Agency  
 Sep. 2007 Commissioner, Criminal Affairs Bureau  
 Jun. 2009 Commissioner-General's Secretariat  
 Oct. 2011 Deputy Director-General  
 Jan. 2013 Commissioner General  
 Jan. 2015 Retired  
 Jun. 2015 Outside Director of the Company (current position)  
 Jun. 2017 Outside Corporate Auditor, Marubeni Corporation (current position)

**(Area of Responsibility)**

Chairperson of the Audit Committee  
 Member of the Risk Policy Committee

**(Significant Concurrent Position)**

Independent Audit & Supervisory Board Member, Marubeni Corporation

**Reason for Nomination as Outside Director**

Mr. Tsuyoshi Yoneda has been put forth as a candidate for Outside Director due to his capacity to identify with the Company's corporate philosophy and social mission, as well as his abundant experience and insight in law enforcement, which can be expected to be reflected in the management of the Company. Although Mr. Yoneda was not previously directly involved in corporate management, other than in the capacity of Outside Director or Outside Corporate Auditor, based on the above reasons, it was determined that Mr. Yoneda will be able to appropriately conduct the duties of Outside Director.

- (Notes)
- The number of Company shares held by each candidate for Director includes the number of shares substantively held under the name of the Japan Exchange Group, Inc. Officers' Shareholding Association.
  - The number of listed companies where an officer position is concurrently held for each candidate for Director reflects appointments and retirement from office planned to occur subsequent to the date of issuance of this Notice.
  - Among the statuses of meeting attendance of each candidate for Director for the Board of Directors meetings and the statutory committee meetings during FY2017, those for Mr. Hironaga Miyama's attendance at Board of Directors meetings, Mr. Eizo Kobayashi's attendance at Nomination Committee meetings, Mr. Makoto Minoguchi's attendances at Board of Directors meetings and Audit Committee meetings, Mr. Kimitaka Mori's attendance at Compensation Committee meetings include only the Board of Directors meetings and the statutory committees meetings that were held after June 16, 2017, the date that the aforementioned candidates were appointed as Directors and the statutory committee members.
  - The scheduled dates for holding the Company's regular Board of Directors meetings in FY2018 to be held after the date of the annual general shareholders meeting have already been adjusted to suit each candidate for Director, and the Company is working to ensure the attendance of the Directors.
  - Mr. Nobuhiro Endo is Chairman of the Board (Representative Director) of NEC Corporation and its corporate group pays JPX Group fees of approximately JPY 18 million (mainly annual listing fees), while JPX Group pays the corporate group approximately JPY 61 million (mainly for system-related expenses). Mr. Hitoshi Ogita is Senior Adviser at Asahi Group Holdings, Ltd., and its corporate group pays JPX Group fees of approximately JPY 5 million (mainly annual listing fees). Mr. Eizo Kobayashi is Senior Representative for Business Community Relations at ITOCHU Corporation (non-executive), and the corporate group pays JPX Group fees of approximately JPY 16 million (mainly annual listing fees). JPX Group also pays the corporate group fees of approximately JPY 15 million (mainly for systems-related expenses). Additionally, there exist transactions between JPX Group and Hitotsubashi University, with which Ms. Christina Ahmadjian is affiliated, that total less than JPY 1 million. There also exist transactions between JPX Group and Mr. Hideaki Kubori and HIBIYA PARK LAW OFFICES, where Mr. Hideaki Kubori acts as Representative, that total less than JPY 1 million. The amounts of such transactions in FY2017 were small, accounting for less than 1% of the consolidated sales, etc. of the Company and those of said corporate groups, etc., or less than JPY 1 million. Therefore, the Company deems that there are no concerns over the independence of the aforementioned persons. In addition, candidates for Director other than the aforementioned candidates do not have any

particular conflicts of interest with the Company.

6. The following persons are candidates for Outside Director: Mr. Hiroki Tsuda, Ms. Christina Ahmadjian, Mr. Nobuhiro Endo, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda.
7. The following persons are Independent Directors, which Tokyo Stock Exchange, Inc. requires listed companies to secure in order to protect the interests of general shareholders: Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda.

Furthermore, if Mr. Nobuhiro Endo is elected as Director, the Company plans to notify said exchange of Mr. Endo's status as an Independent Director.

Note that although Mr. Hiroki Tsuda, a candidate for Outside Director, does not fall under any criteria for determining that a conflict of interest with general shareholders is likely to arise, as set forth by said exchange, the Company has not notified said exchange of Mr. Tsuda's status as an Independent Director in accordance with the "Independence Standards and Qualification for Independent Outside Directors" of the Company.

8. Mr. Hideaki Kubori, a candidate for Outside Director, was previously Outside Governor at subsidiary Japan Exchange Regulation as described in his "Brief Biography, Position, Area(s) of Responsibility, and Significant Concurrent Position(s)".
9. Violations of laws and regulations, and articles of incorporation, or inappropriate business execution committed by other companies with which candidates for Outside Director are affiliated during terms of office at such other companies

NEC Corporation, for which Mr. Nobuhiro Endo serves as Chairman of the Board (Representative Director) and Mr. Hitoshi Ogita serves as Outside Director, was recognized by the Japan Fair Trade Commission on July 12, 2016 that it committed actions in violation of the Antimonopoly Act with respect to transactions concerning equipment for electric power security communication with Tokyo Electric Power Company Holdings, Inc. (formerly Tokyo Electric Power Co., Inc.). In addition, the corporation received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission for violation of the Antimonopoly Act with respect to transactions concerning equipment for fire rescue digital radio on February 2, 2017, and with respect to transactions in apparatuses for hybrid optical communication and transmission path for Chubu Electric Power Co., Inc., on February 15, 2017. After being made aware of the facts, Mr. Nobuhiro Endo promoted the prevention of reoccurrence of such incidents by further ensuring thorough adherence to the compliance system, and strengthening the development and operation of internal control systems and fulfilled his duties in this way. In addition, Mr. Hitoshi Ogita fulfilled his duties such as by emphasizing the need for strict adherence to laws and regulations at NEC Corporation's Board of Directors and other meetings.

ITOCHU Corporation, for which Mr. Eizo Kobayashi served as Director until June 2016, was given cease and desist orders by the Japan Fair Trade Commission on January 12, 2018 and February 20, 2018, for having committed actions in violation of the Antimonopoly Act concerning the sales of uniforms to West Japan Railway Company and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION which were conducted during his tenure as Director. During his tenure at said company, Mr. Kobayashi was unaware of said actions, however, as Director of said company, he always carried out the execution of his duties from the viewpoint of legal compliance and worked earnestly for the establishment and appropriate operation of internal control systems.

10. Conclusion of Limited Liability Agreements with Directors (excluding executive directors, etc. stipulated by Article 427, Paragraph 1 of the Companies Act; hereinafter referred to as "Non-Executive Director(s)")

Under the current Articles of Incorporation, the Company stipulates a provision that allows it to enter into agreements with Non-Executive Directors that limit liability for damages of the Company to the minimum amount as specified by laws and regulations. Such limited liability agreements have been concluded with Mr. Hiroki Tsuda, Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Makoto Minoguchi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda. If the reappointments of Mr. Hiroki Tsuda, Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Makoto Minoguchi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda are approved, then the corresponding limited liability agreements with them will continue to remain effective; and, if the appointment of Mr. Nobuhiro Endo is approved, then the Company will enter into a limited liability agreement of the same content with him as well.

The summary of such agreements is as follows:

- If a Non-Executive Director becomes liable to the Company for damages arising from failure to carry out his/her duties, his/her liability shall be limited to the minimum amount of liability stipulated by Article 425, Paragraph 1 of the Companies Act.
- The above limit on liability shall be limited to cases where such Non-Executive Director is not grossly negligent in his/her performance in good faith of the duty that was the cause of liability.

(Reference) Independence Standards and Qualification for Independent Outside Directors

The Company verifies the status of Outside Directors to the extent reasonably possible and judges that an Outside Director is independent if he/she satisfies all of Items 1 through 14 below.

1. Not being an executive director, etc. (Note 2) or employee of JPX Group (Note 1) in the last ten years;
2. Not being an officer executing business or employee of the Company's current major shareholders (Note 3) group or a company in which the Company is a current major shareholder in the last five years;
3. Not being an officer executing business or employee of a major business partner of JPX Group (Note 4);
4. Not being an officer executing business or employee of a major business partner of JPX Group (Note 5) during any of the three fiscal years prior to the last fiscal year;
5. Not being an officer executing business or employee of an organization that receives a donation or subsidy exceeding the specified amount from JPX Group (Note 6);
6. Not being a director, auditor, or executive officer of a corporate group that accepts a director seconded from JPX Group;
7. Not being an officer executing business or employee of a group company of a major creditor, etc. (Note 7), of JPX Group in the last three years;
8. Not being a member, partner, or employee of the accounting auditor of JPX Group;
9. Not being a member, partner, or employee of the current accounting auditor of JPX Group, who engaged in actual audit work of JPX Group (except, however, for secondary involvement) in the last three years;
10. Not being an attorney-at-law, certified public accountant, certified public tax accountant, or other consultant who receives money and other economic benefits in an amount exceeding the specified amount (Note 8) other than remuneration for directors, auditors, or executive officers from JPX Group;
11. Not being a member, partner, associate, or employee of a law firm, audit firm, tax accounting firm, consulting firm, or other professional advisory firm, for which JPX Group is a major client (Note 9);
12. Not being the spouse, a relative within the second degree of kinship, or a relative residing in the same household of a person falling under any of the following items:
  - (i) An officer executing business or employee of JPX Group in the last five years;
  - (ii) A director, auditor, or executive officer of a company that is the Company's current major shareholder or of which the Company is a current major shareholder in the last five years;
  - (iii) An officer executing business or employee of a major business partner of JPX Group;
  - (iv) An officer executing business or employee of a major business partner of JPX Group during any of the last three years;
  - (v) An officer executing business or employee of an organization that receives from JPX Group a donation or subsidy exceeding the specified amount;
  - (vi) An officer executing business or employee of a group company of a major creditor, etc., of JPX Group in the last three years;
  - (vii) A member, partner, or other certified public accountant of the accounting auditor of JPX Group;
  - (viii) An employee of the accounting auditor of JPX Group, who currently engages in actual audit work of JPX Group (except, however, for secondary involvement);
  - (ix) A member, partner, or employee of the current accounting auditor of JPX Group in the last three years, who engaged in actual audit work of JPX Group (except, however, for secondary involvement) during said period;
  - (x) An attorney-at-law, certified public accountant, certified public tax accountant, or other consultant who receives money and other economic benefits in an amount exceeding the specified amount from JPX Group; or
  - (xi) A member, partner, or associate of a law firm, audit firm, tax accounting firm, consulting firm, or other professional advisory firm, for which JPX Group is a major client;
13. Not being a person who is likely to constantly have substantial conflict of interest with the Company's general shareholders;
14. A person who has served as an Outside Director of the Company for a period that does not surpass ten years in total, or where having served for a period that does not surpass ten years in total, there is no doubt over his/her substantial independence due to work circumstances at the Company; or
15. Even if a person does not satisfy any of the above Items 2 to 12, the person may be appointed as an Independent Director of the Company on the condition that (1) the person satisfies the requirements of outside directors under the Companies Act and (2) the Company explains to external parties the reason why the person is considered appropriate as its Independent Director.

Note 1: "JPX Group" refers to Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., Japan Exchange Regulation, Japan Securities Clearing Corporation, and TOSHO SYSTEM SERVICE CO., LTD.

Note 2: "Executive director, etc." refers to an executive director, executive officer (*shikkoyaku* or *shikkoyakuin*), president (*rijicho*), or standing governor (*joninriji*).

Note 3: "Major shareholder" refers to a shareholder that holds 10% or more of the voting rights of the Company.

- Note 4: "Major business partner" in Items 3 and 12(iii) refers to a party for which JPX Group is a major client (a party that received payment, from JPX Group, accounting for 2% or more of the amount equivalent to its consolidated gross sales for the last fiscal year), a party that is a major client of JPX Group (a party that accounted for 2% or more of the amount equivalent to the Company's consolidated gross sales for the last fiscal year), its parent company, or significant subsidiary.
- Note 5: "Major business partner" in Items 4 and 12(iv) refers to a party for which JPX Group was a major client (a party that received payment, from JPX Group, accounting for 2% or more of the amount equivalent to its consolidated gross sales for the last fiscal year), a party that was a major client of JPX Group (a party that made a payment of 2% or more of the amount equivalent to the consolidated gross sales of the Company for the last fiscal year among the fiscal years included), its parent company, or major subsidiary.
- Note 6: "The specified amount" in Items 5 and 12(v) refers to JPY 10 million per year (the annual average over the past three fiscal years) or 30% of the average annual total expenses of the organization, whichever is greater.
- Note 7: "Major creditor, etc." refers to a financial institution or other major creditor that is essential for the Company's financing, which the Company is dependent on to the extent that it cannot be replaced with another party.
- Note 8: "The specified amount" in Items 10 and 12(x) refers to JPY 10 million or more per year (the annual average over the past three fiscal years, excluding remuneration for directors, auditors, or executive officers).
- Note 9: "Firm for which JPX Group is a major client" refers to a firm that received payment, from JPX Group, accounting for 2% or more (the annual average over the past three fiscal years) of its consolidated gross sales.

# Business Report

(From April 1, 2017 to March 31, 2018)

## I. Overview of Current Status of Corporate Group

### 1. Business Report for This Fiscal Year

#### (1) Review and results of business operations

The stock market in Japan showed solid developments in the first half of this fiscal year in a favorable response to the improvement in labor and income conditions as well as good corporate financial results, although there was a phase of avoiding risks at the beginning with TOPIX temporarily dropping to 1,452.15 points, partly due to concerns about protectionism in the U.S. and heightened geopolitical risks such as the intensified North Korea situation. Since September 2017, TOPIX rose to 1,911.31 points, the highest since January 1992, surpassing the highest recorded in June 1996 after the collapse of the bubble economy, primarily because overseas investors became more active in their purchasing against the background of the House of Representatives elections in October in addition to the stronger expectations for the rise in U.S. interest rates and the announcement of the tax reform bill. Since the beginning of 2018, the stock market remained sagging after stock prices plunged globally due to the rapid rise in the U.S. long-term interest rates with TOPIX reaching 1,716.30 points at the end of March 2018 (up by 203.70 points from the end of March 2017).

Under such circumstances, JPX Group (meaning the corporate group comprising the Company and its subsidiaries in this Business Report) made strenuous efforts in the four key challenges: (i) satisfying investors' various needs and encouraging medium- to long-term asset building; (ii) supporting listed companies' efforts to enhance the corporate value, through such means as working to improve the effectiveness of corporate governance; (iii) reinforcing market infrastructure through strengthening BCP, shortening the settlement cycles, etc.; and (iv) creating new business horizons through such means as promotion of utilizing fintech, in this fiscal year as the second fiscal year of the 2<sup>nd</sup> Medium-Term Management Plan (FY2016–FY2018) to pursue the realization of a balanced business portfolio as the future vision in the mid- to long-term.

The consolidated results of JPX Group during the fiscal year ended March 31, 2018 included operating revenue of JPY 120,711 million (up 11.9% year-on-year), operating expenses of JPY 50,902 million (up 1.4% year-on-year), operating income of JPY 71,791 million (up 20.9% year-on-year), income before income tax of JPY 72,990 million (up 20.4% year-on-year), and net income attributable to owners of the parent company of JPY 50,484 million (up 19.8% year-on-year).

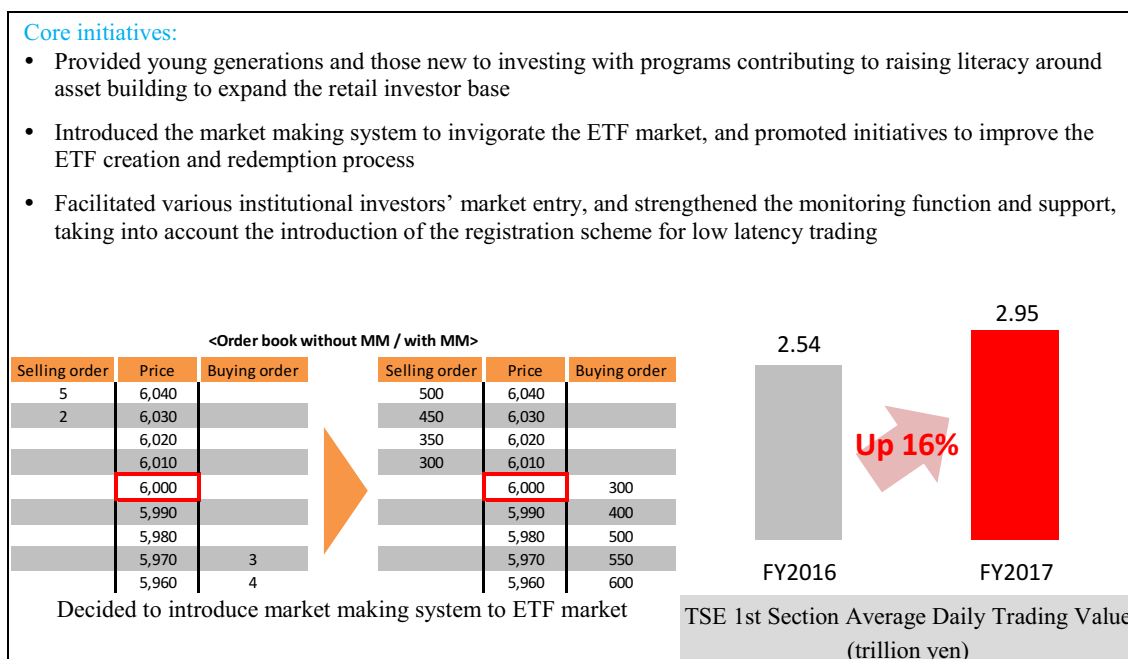


(a) Trading services revenue

Trading services revenue comprises "Transaction Fees" based on the value of securities traded or volume of derivatives traded, "Basic Fees" based on the type of trading participant's trading qualification, "Access Fees" based on the number of orders, and "Trading System Facilities Usage Fees" based on the types of trading system facilities used.

The average daily trading value in the cash equity markets (TSE 1st and 2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, ETFs/ETNs, and REITs, etc.) during this fiscal year was JPY 3,446.4 billion. Also, total trading volume for derivatives reached JPY 353.59 million contracts.

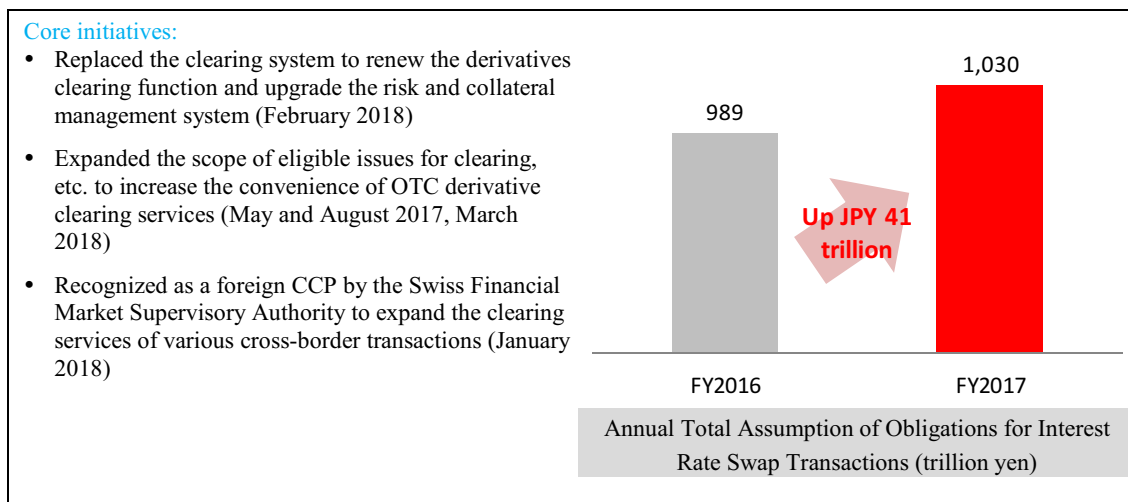
During the fiscal year ended March 31, 2018, basic fees were JPY 1,043 million (down 0.0% year-on-year), transaction fees from cash equities and derivatives were JPY 30,652 million (up 17.1% year-on-year) and JPY 11,777 million (up 13.7% year-on-year) respectively, and other fees such as access fees and trading system facilities usage fees were JPY 8,291 million (up 1.9% year-on-year). As a result, trading services revenue came to JPY 51,766 million (up 13.3% year-on-year).



(b) Clearing services revenue

Clearing services revenue comprises clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation.

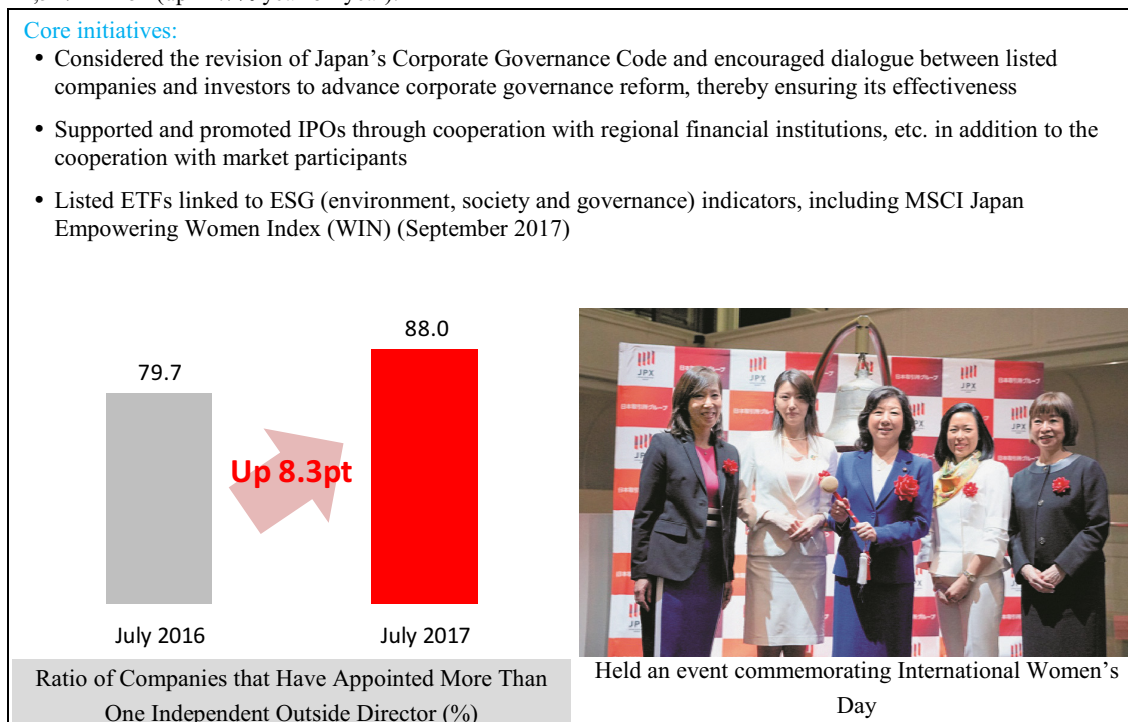
Clearing services revenue for this fiscal year was JPY 23,473 million (up 9.4% year-on-year). This reflected an increase in cash equities and derivatives trading, the two main clearing product segments.



(c) Listing services revenue

Listing services revenue comprises "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" received from listed companies based on their market capitalization.

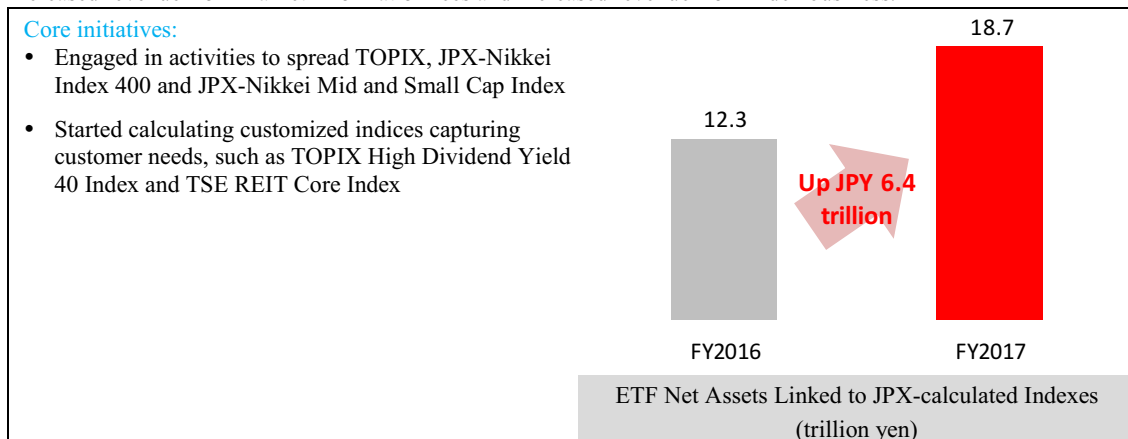
Initial/additional listing fees were JPY 5,002 million (up 15.9% year-on-year), and annual listing fees were JPY 9,544 million (up 11.2% year-on-year), bringing the total for listing services revenue for this fiscal year to JPY 14,547 million (up 12.7% year-on-year).



(d) Information services revenue

Information services revenue comprises revenue related to the provision of market information to information vendors, etc. (market information fees), revenue related to the index business, and revenue related to the provision of corporate action information and other information.

Information services revenue for this fiscal year was JPY 19,878 million (up 9.8% year-on-year), partly reflecting increased revenue from market information fees and increased revenue from index business.



(e) Operating expenses

During this fiscal year, personnel expenses were JPY 16,329 million, system maintenance and operation expenses were JPY 12,100 million, and depreciation and amortization was JPY 9,431 million. As a result, operating expenses came to JPY 50,902 million (up 1.4% year-on-year).

(2) Capital investment

Overall capital investment, including investment for trading and clearing systems, was about JPY 13.6 billion.

(3) Financing

There are no matters to report.

(4) Business transfer, absorption-type company split or incorporation-type company split

There are no matters to report.

(5) Acquisition of other companies' businesses

There are no matters to report.

(6) Successions of rights or duties related to the businesses of other legal entities, etc. due to absorption-type merger or absorption-type company split

There are no matters to report.

(7) Acquisition or disposition of shares or equities in other companies, or subscription warrants, etc.

For the shares of Singapore Exchange Limited owned by the Company (53,051,000 shares), as a result of an evaluation considering the aims of Japan's Corporate Governance Code, we decided on March 30, 2018 that, in continuing the cooperative relationship as is, owning shares is not necessarily required, and will sequentially sell said shares over the course of approximately three years.

2. Assets and Earnings in the Three Years Prior to the Year under Review  
JPX Group

(JPY million)

Classification	IFRS			
	March 2015 Year (Apr. 2014 to Mar. 2015)	March 2016 Year (Apr. 2015 to Mar. 2016)	March 2017 Year (Apr. 2016 to Mar. 2017)	March 2018 Year (Apr. 2017 to Mar. 2018)
Operating revenue	106,167	114,776	107,885	120,711
Income before income tax	54,887	67,774	60,604	72,990
Net income attributable to owners of the parent company	34,427	44,877	42,124	50,484
Basic earnings per share (JPY)	62.70	81.74	77.00	94.17
Total assets	27,746,771	29,546,776	41,288,932	41,316,341
Equity attributable to owners of the parent company	235,611	257,194	257,955	273,771
Equity attributable to owners of the parent company per share (JPY)	429.11	468.43	477.31	510.99

(Breakdown of operating revenue)

(JPY million)

Classification	IFRS			
	March 2015 Year	March 2016 Year	March 2017 Year	March 2018 Year
Trading services revenue	48,698	52,471	45,703	51,766
Clearing services revenue	20,092	23,140	21,454	23,473
Listing services revenue	12,249	13,250	12,903	14,547
Information services revenue	16,311	17,706	18,112	19,878
Other	8,815	8,208	9,711	11,045
Total	106,167	114,776	107,885	120,711

\*1 The Company prepares consolidated financial statements in accordance with IFRS under the provision of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

\*2 A 2-for-1 stock split was conducted on October 1, 2015. Basic earnings per share and equity attributable to owners of the parent company per share are calculated as if such stock split were implemented at the beginning of the fiscal year ended March 31, 2015.

(Reference) The Company

(JPY million)

Classification	March 2015 Year (Apr. 2014 to Mar. 2015)	March 2016 Year (Apr. 2015 to Mar. 2016)	March 2017 Year (Apr. 2016 to Mar. 2017)	March 2018 Year (Apr. 2017 to Mar. 2018)
Operating revenue	33,102	35,072	47,887	41,119
Operating income	27,287	29,724	42,424	35,118
Ordinary income	28,747	31,309	43,682	36,441
Net income	27,728	30,275	42,774	35,503
Net income per share (JPY)	50.50	55.14	78.19	66.22
Total assets	215,218	230,071	244,641	252,081
Net assets	102,104	110,107	111,061	111,970
Net assets per share (JPY)	185.96	200.54	205.50	208.99

\* A 2-for-1 stock split was conducted on October 1, 2015. The net income per share and net assets per share are calculated as if such stock split were implemented at the beginning of the fiscal year ended March 31, 2015.

### 3. Information Concerning the Parent Company and Major Subsidiaries

#### (1) Relationship with parent company

There are no matters to report.

#### (2) Major subsidiaries

##### (a) Major subsidiaries

Company Name	Location	Share Capital (JPY million)	Holding Ratio of Voting Rights [indirect holding] %	Principal Business
Tokyo Stock Exchange, Inc.	Chuo-ku, Tokyo	11,500	100.0	Financial instruments exchange market operations
Osaka Exchange, Inc.	Chuo-ku, Osaka	4,723	100.0	Financial instruments exchange market operations
Japan Exchange Regulation	Chuo-ku, Tokyo	3,000 (Note 1)	100.0	Self-regulatory operations
Japan Securities Clearing Corporation	Chuo-ku, Tokyo	8,950	(Note 2)	Financial instruments obligation assumption services
TOSHO SYSTEM SERVICE CO., LTD.	Chuo-ku, Tokyo	100	100.0 [100.0]	System development, etc.

(Notes) 1. Non-stock capital

2. The Company's holding ratios are 99.2% of Class-A stock, 100.0% of Class-B stock, 60.4% of Class-C stock, and 52.9% of Class-D stock.

##### (b) Status of specified wholly-owned subsidiaries as of the last day of fiscal year

Company Name	Address	Book Value of Shares of Specified Wholly-Owned Subsidiary as of March 31, 2018 (JPY million)
Tokyo Stock Exchange, Inc.	2-1, Nihombashi-Kabuto-cho, Chuo-ku, Tokyo	97,884

(Note) Total asset of the Company as of March 31, 2018 is JPY 252,081 million.

### 4. Issues Requiring Action

JPX Group's corporate philosophy states that it will contribute to the realization of an affluent society by promoting the continuous development of the market by ensuring its public nature and credibility, constructing the foundation of a market that is highly convenient, efficient, and transparent, and by providing creative and attractive services.

JPX Group works together to provide a series of services for financial instruments markets in Japan, from the listing of securities and derivatives, the provision of trading venues and clearing and settlement services, to the delivery of index and information services.

JPX Group's business is based on financial instruments markets. However, market conditions tend to change with developments in the external environment including local and global economic conditions, financial policies, and geopolitical risks. As such, JPX Group recognizes that its most pressing management challenge is to stably provide market infrastructure that is highly satisfactory for its users and resilient to changes in the external environment.

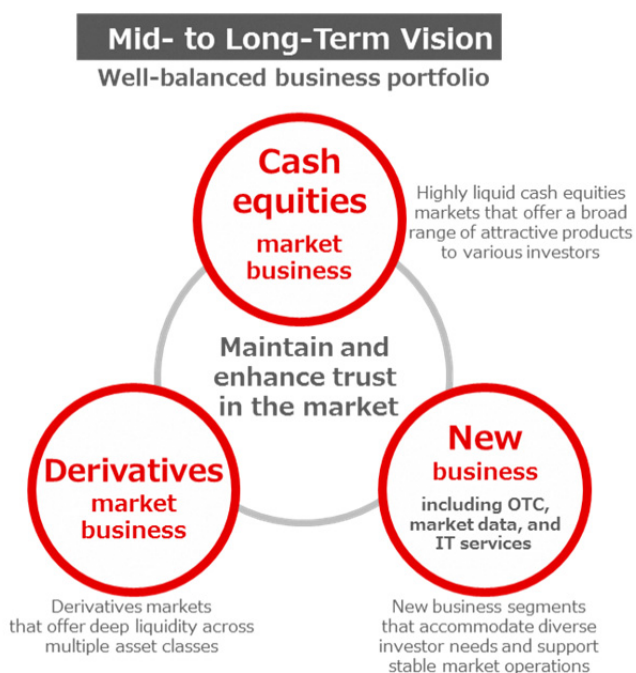
Under its 2<sup>nd</sup> Medium-Term Management Plan (FY2016-FY2018), JPX Group set a mid- to long-term goal of realizing a business portfolio balanced among cash equity markets business, derivatives markets business, and new businesses. JPX Group will achieve this by strengthening core initiatives, such as qualitative improvement in its market infrastructure and services through cooperative and mutually complementary relationships across JPX Group, as it anticipates the possible

disruptions due to the advent of new financial and information technologies (fintech) while maintaining its focus on the maintenance and enhancement of the reliability and efficiency of its markets.

Moreover, JPX Group's fundamental capital policy is to pursue growth and improved stability through greater investment and secure a solid financial base, while balancing sound financial health and shareholder returns. Under this policy, JPX Group aims to attain the mid- to long-term target of achieving 10% ROE\*, which is above capital costs, by placing management focus on capital efficiency regardless of fluctuations in financial instruments markets.

JPX Group would appreciate the continued support of shareholders going forward.

\* Average ROE for FY2008 to FY2012 (based on aggregate of pre-merger entities) was approximately 5%; average ROE for FY2013 to FY2015 (term of 1st Medium-Term Management Plan) was approximately 16%.



Outline of the 2<sup>nd</sup> Medium-Term Management Plan (Updated) (FY2018 Business Plan)

FY2018 is the final year of the 2<sup>nd</sup> Medium-Term Management Plan (FY2016–FY2018). On April 27, 2018, JPX Group reviewed its progress on the plan and the effectiveness of its measures and updated the plan in light of factors including the current external environment and expected challenges, to refocus ahead of the year for the finishing touches on the plan's stated goals.

(1) Encouraging mid- to long-term asset building

From the perspective of invigorating mid- to long-term asset building in Japan while satisfying diverse investor needs, JPX Group will continue strengthening its initiatives to raise financial literacy toward expanding the investor base. Moreover, in addition to working to maintain and strengthen the competitiveness of the derivatives market as a growth segment, JPX Group will implement initiatives to strengthen cash equity market functions and invigorate the ETF market through measures such as improving liquidity.

(2) Enhancing the corporate value of listed companies

To improve the corporate value of Japanese listed companies, JPX Group will pursue initiatives to enhance the effectiveness of corporate governance, as well as those to spread awareness of management styles that incorporate investor perspectives and encourage dialogue between listed companies and investors.

Moreover, from the viewpoint of attracting a steady supply of risk money, JPX Group will support the listing of new entities through collaboration with market participants and local financial institutions, as well as the listing of attractive investment products that contribute to asset building.

(3) Reinforcing market infrastructure

JPX Group will continue to enhance its cyber security, in addition to strengthening its system for its business continuity plan (BCP), such as having a mutual backup setup for both operations and systems between Tokyo and Osaka, to provide highly satisfactory services to users in a constant and stable manner as core infrastructure for financial instruments markets in Japan.

Moreover, in order to improve the convenience of the capital market in Japan as well as maintain and strengthen international competitiveness, JPX Group will steadily transition toward a shorter JGB settlement cycle (to T+1) and stock settlement cycle (to T+2) in cooperation with market participants and relevant organizations.

(4) Creating new business horizons

JPX Group joined the SSE initiative\* in December 2017 to contribute toward building a sustainable society. In FY2018, JPX Group will launch initiatives to establish an environment to disclose non-financial information, such as ESG matters, develop related indexes, and foster the growth of the infrastructure fund market, which is available to funds invested in renewable energy.

Moreover, in order to adapt appropriately to changes in the environment surrounding the Company so as to develop the market sustainably, JPX Group will continue to actively pursue R&D of new finance and information technologies, such as blockchain, and aggressively adopt new technologies to improve operational efficiency. JPX Group will also develop and secure human resources, enrich its talent pool for hiring and staffing, and facilitate engagement among diverse people.

\* Sustainable Stock Exchanges initiative: An initiative for stock exchanges to actively explore sustainability while collaborating with stakeholders such as investors and listed companies. It is driven by the UN Conference on Trade and Development (UNCTAD) and the UN Environment Programme Finance Initiative (UNEP FI).

5. Principal Business (as of March 31, 2018)

The Company is a stock corporation authorized as a financial instruments exchange holding company under the Financial Instruments and Exchange Act to engage in the administration and management of the corporate group, including subsidiaries Tokyo Stock Exchange, Inc. (TSE), Osaka Exchange, Inc. (OSE), Japan Exchange Regulation, and Japan Securities Clearing Corporation. The principal business of JPX Group is the establishment and operation of financial instruments exchange markets provided by TSE and OSE.



6. Main Offices (as of March 31, 2018)

The Company

Head Office	Chuo-ku, Tokyo
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Subsidiaries

Tokyo Stock Exchange, Inc.	Chuo-ku, Tokyo
Osaka Exchange, Inc.	Chuo-ku, Osaka
Japan Exchange Regulation	Chuo-ku, Tokyo
Japan Securities Clearing Corporation	Chuo-ku, Tokyo
TOSHO SYSTEM SERVICE CO., LTD.	Chuo-ku, Tokyo

7. Employees (as of March 31, 2018)

JPX Group

No. of Employees	Compared to the Previous Fiscal Year	Average Age	Average Years of Employment
1,093	Increased by 8 persons	42 years 8 months	17 years 2 months

(Note) The number of employees refers to persons working on a regular basis (excluding persons assigned by JPX Group temporarily to an entity outside JPX Group but including persons assigned by an entity outside JPX Group temporarily to JPX Group). Temporary employees (including part-time workers and persons dispatched from employment agencies) are not included.

8. Lenders and Outstanding Loans (as of March 31, 2018)

Creditor	Outstanding Loan (JPY million)
The 77 Bank, Ltd.	9,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	23,500

(Note) On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd.

9. Other Important Items Related to the Corporate Group

There are no matters to report.

## II. Status of Shares (as of March 31, 2018)

(1) Total Authorized No. of Shares to Be Issued 2,180,000,000

(2) Total No. of Shares Issued 536,351,448

(Note) The total number of shares issued has decreased by 12,717,652 shares compared with March 31, 2017 due to the cancellation of treasury shares on February 9, 2018.

(3) No. of Shareholders 47,469

### (4) Major Shareholders

Rank	Name of Shareholder	No. of Shares Held	Shareholding Ratio
		shares	%
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	20,915,400	3.90
2	SMBC Nikko Securities Inc.	19,438,300	3.62
3	Japan Trustee Services Bank, Ltd. (Trust Account)	19,229,000	3.59
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,950,900	2.04
5	NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	10,401,991	1.94
6	Japan Trustee Services Bank, Ltd. (Trust Account 7)	9,962,500	1.86
7	STATE STREET BANK WEST CLIENT - TREATY 505234	9,565,746	1.78
8	Mizuho Securities Co., Ltd.	9,269,800	1.73
9	Japan Trustee Services Bank, Ltd. (Trust Account 2)	8,177,100	1.52
10	Japan Trustee Services Bank, Ltd. (Trust Account 1)	8,140,800	1.52

(Notes) 1. The Company does not hold treasury shares.

2. When calculating the shareholding ratio, the Company's shares held in the Stock Granting ESOP Trust Account (585,416 shares) are included. These shares are processed as treasury shares in consolidated financial statements and non-consolidated financial statements.

3. The distribution of shareholders of the Company by category is as follows:

Financial institutions: 138,300,316 shares (25.79%); financial instruments business operators: 135,810,194 shares (25.32%); other domestic corporations: 17,854,884 shares (3.33%); foreign corporations, etc.: 226,873,091 shares (42.30%); and individuals and others: 17,512,963 shares (3.27%)

### (5) Other Important Items Related to Shares

The Company acquired its own shares during this fiscal year as described below.

Acquisition period: April 1, 2017 – May 18, 2017

Total number of shares acquired: 4,668,400 shares

Total value of shares acquired: JPY 7,452,013,700

(Note) The acquisition is part of the acquisition of own shares (Acquisition period: January 31, 2017–July 27, 2017; total number of shares to be acquired: 16,000,000 shares (upper limit); total value of shares to be acquired: JPY 16 billion (upper limit)) in accordance with the resolution of the Board of Directors meeting held on January 30, 2017.

In addition, the Company cancelled its treasury shares during this fiscal year as described below.

Date of cancellation: February 9, 2018

Total number of shares cancelled: 12,717,652 shares

III. Status of Subscription Warrants (*shinkabu-yoyakuden*), etc.  
There are no matters to report.

#### IV. Directors and Executive Officers of the Company

##### 1. Directors and Executive Officers (as of March 31, 2018)

###### (1) Board of Directors

Position	Name	Area(s) of Responsibility	Significant Concurrent Position(s)
Director	Hiroki Tsuda	Chairperson of the Board of Directors	
Director & Representative Executive Officer, Group CEO	Akira Kiyota	Group CEO; Chairperson of the Nomination Committee; Member of the Compensation Committee; Member of the Risk Policy Committee	Director, Tokyo Stock Exchange, Inc.
Director & Executive Officer	Koichiro Miyahara	Member of the Nomination Committee; Member of the Compensation Committee	President & CEO, Tokyo Stock Exchange, Inc.
Director & Executive Officer	Hiroshi Yamaji		President & CEO, Osaka Exchange, Inc.
Director & Executive Officer	Hironaga Miyama		President & CEO, Japan Securities Clearing Corporation
Director	Christina Ahmadjian	Member of the Compensation Committee; Member of the Audit Committee	Professor, Graduate School of Commerce and Management, Hitotsubashi University Outside Director, Mitsubishi Heavy Industries, Ltd.
Director	Hitoshi Ogita	Member of the Nomination Committee; Chairperson of the Independent Outside Directors Committee	Senior Adviser, Asahi Group Holdings, Ltd. Outside Director, Imperial Hotel, Ltd. Outside Director, NEC Corporation
Director	Hideaki Kubori	Member of the Nomination Committee; Chairperson of the Risk Policy Committee	Attorney-at-Law Representative, HIBIYA PARK LAW OFFICES Outside Director, SOURCENEXT CORPORATION Professor, Toin Law School Member of the Supervisory Committee, The Norinchukin Bank
Director	Main Kohda	Member of the Audit Committee; Member of the Risk Policy Committee	Novelist Outside Director, Japan Tobacco Inc. Outside Director, LIXIL Group Corporation
Director	Eizo Kobayashi	Member of the Nomination Committee; Chairperson of the Compensation Committee	Chairman, ITOCHU Corporation (non-executive) Chairman, ITOCHU Foundation Chairman, Japan Foreign Trade Council, Inc. Outside Director, OMRON Corporation Counsellor, Bank of Japan Outside Director, Japan Airlines Co., Ltd. Outside Director, Nippon Venture Capital Co., Ltd. Chairman, National Federation of Corporate Taxpayers Associations Administrative Director, The Public Interest Incorporated Foundation Tohoren Mutual Benefit Association for Specific Retirement Allowance

Position	Name	Area(s) of Responsibility	Significant Concurrent Position(s)
Director	Makoto Minoguchi	Standing Member of the Audit Committee	Statutory Auditor, Tokyo Stock Exchange, Inc.
Director	Kimitaka Mori	Member of the Compensation Committee; Member of the Audit Committee	Certified Public Accountant Advisor, The Japanese Institute of Certified Public Accountants Outside Corporate Auditor, MITSUI & CO., LTD. Outside Corporate Auditor, East Japan Railway Company Outside Director, SUMITOMO LIFE INSURANCE COMPANY
Director	Tsuyoshi Yoneda	Chairperson of the Audit Committee; Member of the Risk Policy Committee	Outside Corporate Auditor, Marubeni Corporation

- (Notes)
- The following persons are Outside Directors: Mr. Hiroki Tsuda, Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda.
  - The following persons are Independent Directors, which Tokyo Stock Exchange, Inc. requires listed companies to secure in order to protect the interests of general shareholders: Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda.
  - Director Mr. Hideaki Kubori was an Outside Governor of Japan Exchange Regulation, a wholly-owned subsidiary of the Company until June 16, 2017, and there are no capital or transactional relationships to note between the Company and the companies at which the Company's other outside directors hold concurrent positions.
  - Director and Member of the Audit Committee, Mr. Kimitaka Mori is a certified public accountant, and holds a respectable degree of knowledge on finance and accounting.
  - On June 16, 2017, Director Mr. Hideaki Kubori retired from his position of Outside Governor of Japan Exchange Regulation.  
Director Mr. Eizo Kobayashi assumed the positions of Member of the Nomination Committee and Chairperson of the Compensation Committee of the Company on June 16, 2017, Administrative Director of The Public Interest Incorporated Foundation Tohoren Mutual Benefit Association for Specific Retirement Allowance on June 14, 2017, and Chairman of National Federation of Corporate Taxpayers Associations on June 21, 2017. On July 4, 2017, he retired from his position of Outside Corporate Auditor of ASAHI MUTUAL LIFE INSURANCE CO. He also retired from his position of Chairman of ITOCHU Corporation on March 31, 2018 and assumed the position of Senior Representative for Business Community Relations of ITOCHU Corporation on April 1, 2018.  
On June 15, 2017, Director Mr. Makoto Minoguchi retired from his position of Managing Director and Executive Officer of Japan Securities Clearing Corporation and assumed the position of Statutory Auditor of Tokyo Stock Exchange, Inc. on June 16, 2017. He also assumed the position of Standing Member of the Audit Committee of the Company on the same day.  
Director Mr. Kimitaka Mori assumed the positions of Member of the Compensation Committee of the Company on June 16, 2017, Outside Corporate Auditor of MITSUI & CO., LTD. on June 21, 2017, Outside Corporate Auditor of East Japan Railway Company on June 23, 2017, and Outside Director of SUMITOMO LIFE INSURANCE COMPANY on July 4, 2017.  
On June 23, 2017, Director Mr. Tsuyoshi Yoneda assumed the position of Outside Corporate Auditor of Marubeni Corporation.
  - To regularly maintain the audit environment, gather internal information, monitor and inspect the internal control system, and by sharing those results with other members of the Audit Committee to increase the effectiveness of discussions at the Audit Committee, of the five members of the Audit Committee, the Company has appointed Director Mr. Makoto Minoguchi as a Standing Member of the Audit Committee due to his considerable knowledge and experience in the Company's business in general.

## (2) Executive Officers

Position	Name	Area(s) of Responsibility	Significant Concurrent Position(s)
Director & Representative Executive Officer, Group CEO	Akira Kiyota	Group CEO	Refer to "(1) Board of Directors"
Senior Executive Officer	Ryusuke Yokoyama	CIO, IT Planning	Senior Executive Officer, Tokyo Stock Exchange, Inc. Senior Executive Officer, Osaka Exchange, Inc. Director, TOSHO SYSTEM SERVICE CO., LTD. (Part-time)
Senior Executive Officer	Yoshinori Karino	IT Planning	Senior Executive Officer, Tokyo Stock Exchange, Inc. Director and Senior Executive Officer, Osaka Exchange, Inc.
Senior Executive Officer	Yoshihiro Isaka	Global Strategy	Senior Executive Officer, Tokyo Stock Exchange, Inc. Senior Executive Officer, Osaka Exchange, Inc. Representative Director, ICJ, Inc. (Part-time)
Director and Executive Officer	Koichiro Miyahara	Management of Tokyo Stock Exchange, Inc.	Refer to "(1) Board of Directors"
Director and Executive Officer	Hiroshi Yamaji	Management of Osaka Exchange, Inc.	Refer to "(1) Board of Directors"
Director and Executive Officer	Hironaga Miyama	Management of Japan Securities Clearing Corporation	Refer to "(1) Board of Directors"
Executive Officer	Isao Hasegawa	General Administration and Human Resources	Executive Officer, Tokyo Stock Exchange, Inc. Executive Officer, Osaka Exchange, Inc.
Executive Officer	Satoshi Futagi	Corporate Strategy and Clearing & Settlement Development	Director, Japan Securities Clearing Corporation (Part-time) Outside Director, Japan Securities Depository Center, Incorporated
Executive Officer	Atsushi Tabata	CFO, Treasury, Corporate Communications, and IR	

(Note) Mr. Ryusuke Yokoyama assumed the position of Senior Executive Officer (CIO, IT Planning) of the Company on April 1, 2017. On the same day, the title of his concurrent position at Tokyo Stock Exchange, Inc. changed from Executive Officer to Senior Executive Officer. He also assumed the position of Senior Executive Officer of Osaka Exchange, Inc. on the same day.

Mr. Yoshinori Karino assumed the position of Senior Executive Officer of Tokyo Stock Exchange, Inc. on April 1, 2017. On March 31, 2018, he retired from his positions of Senior Executive Officer of the Company, Senior Executive Officer of Tokyo Stock Exchange, Inc., and Director and Senior Executive Officer of Osaka Exchange, Inc.

Mr. Yoshihiro Isaka assumed the position of Senior Executive Officer (Global Strategy) of the Company on April 1, 2017. On the same day, the title of his concurrent position at Tokyo Stock Exchange, Inc. changed from Executive Officer to Senior Executive Officer. The title of his concurrent position at Osaka Exchange, Inc. also changed from Executive Officer to Senior Executive Officer on the same day.

Mr. Hironaga Miyama assumed the position of Director of the Company on June 16, 2017.

Mr. Isao Hasegawa's responsibilities changed from General Administration to General Administration and Human Resources on April 1, 2017.

Mr. Satoshi Futagi's responsibilities changed from Human Resources and Corporate Communications to Corporate Strategy and Clearing & Settlement Development on April 1, 2017. He also assumed the positions of Outside Director of Japan Securities Depository Center, Incorporated on June 19, 2017 and Director of Japan Securities Clearing Corporation (Part-time) on June 21, 2017. Furthermore, because the Company eliminated the Clearing & Settlement Development Department on April 1, 2018 and revised its operational structure to bring that function under the Corporate Strategy Department, Mr. Futagi's responsibilities changed from Corporate Strategy and Clearing & Settlement Development to Corporate Strategy on the same day.

Mr. Atsushi Tabata assumed the position of CFO on April 1, 2017, and his responsibilities changed from Global Strategy to Treasury, Corporate Communications, and IR on the same day.

## (Reference) Executive Officers as of April 1, 2018 and Reasons for Appointment

Position	Name	Area(s) of Responsibility	Significant Concurrent Position(s)
Director & Representative Executive Officer, Group CEO	Akira Kiyota	Group CEO	Refer to "(1) Board of Directors"
<p>&lt;Reason for Appointment&gt;            Mr. Akira Kiyota has considerable experience and insight acquired through working at a securities company. After being appointed as President &amp; CEO of Tokyo Stock Exchange, Inc. in 2013, over two years, he demonstrated leadership in the development of cash equity markets and the promotion of implementation of Japan's Corporate Governance Code. Since 2015, he has been responsible for the Company's management in his position as a Director and Representative Executive Officer, Group CEO of the Company. He has been appointed as Representative Executive Officer, Group CEO because he is considered the best person for the position in light of his experience and accomplishments with JPX Group and the image of the person for CEO.</p>			
Senior Executive Officer	Ryusuke Yokoyama	CIO, IT Planning	Senior Executive Officer, Tokyo Stock Exchange, Inc. Senior Executive Officer, Osaka Exchange, Inc. Director, TOSHO SYSTEM SERVICE CO., LTD. (Part-time)
<p>&lt;Reason for Appointment&gt;            Mr. Ryusuke Yokoyama joined Tokyo Stock Exchange in 1986. He subsequently engaged in operations mainly related to IT planning and development at JPX Group. He assumed office as an Executive Officer of Tokyo Stock Exchange, Inc. in April 2011 and since April 2017, as a Senior Executive Officer of said company. He is leading the grand design of a clearing system for the purpose of enhancing clearing functions and accommodating various types of new derivative products. This is to support the business portfolio diversification strategy through "expansion of new business which includes the clearing and settlement fields", and by "stimulating growth of the derivatives market business", which together form a pillar of the Company's Medium-Term Management Plan. In addition, since assuming office as a Senior Executive Officer and CIO of the Company in April 2017, his role has been to manage, oversee and promote JPX Group's IT strategies. He has been appointed as Senior Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Senior Executive Officer	Yoshihiro Isaka	Global Strategy	Senior Executive Officer, Tokyo Stock Exchange, Inc. Senior Executive Officer, Osaka Exchange, Inc. Representative Director, ICJ, Inc. (Part-time)
<p>&lt;Reason for Appointment&gt;            Mr. Yoshihiro Isaka joined the Ministry of Finance in 1979. He subsequently engaged in operations mainly related to international affairs and taxes at the Ministry of Finance, the Ministry of Foreign Affairs, the National Tax Agency, and the Financial Supervisory Agency. He assumed office as an Executive Officer of Tokyo Stock Exchange, Inc. in June 2013. Since April 2017, as a Senior Executive Officer of said company, he has worked to facilitate the creation of ETFs and publicly offered investment trusts based on indices developed by Tokyo Stock Exchange, Inc., and worked to promote the development of new indices. These efforts form a main pillar of the Company's current Medium-Term Management Plan. In addition, since assuming office in April 2017 as a Senior Executive Officer of the Company, as the officer in charge of global strategy, he has engaged in the provision of support to overseas exchanges and the promotion of cooperation with various overseas organizations. He has been appointed as Senior Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Director and Executive Officer	Koichiro Miyahara	Management of Tokyo Stock Exchange, Inc.	Refer to "(1) Board of Directors"
<p>&lt;Reason for Appointment&gt;            Mr. Koichiro Miyahara has considerable knowledge of and experience in the exchange business in general, and, as President &amp; CEO of Tokyo Stock Exchange, Inc., he manages and oversees the overall business and operations of a core subsidiary of JPX Group. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			

Position	Name	Area(s) of Responsibility	Significant Concurrent Position(s)
Director and Executive Officer	Hiromi Yamaji	Management of Osaka Exchange, Inc.	Refer to "(1) Board of Directors"
<p>&lt;Reason for Appointment&gt;  Mr. Hiromi Yamaji has considerable knowledge of and experience in the exchange business in general, and, as President &amp; CEO of Osaka Exchange, Inc., he manages and oversees the overall business and operations of a core subsidiary of JPX Group. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Director and Executive Officer	Hironaga Miyama	Management of Japan Securities Clearing Corporation	Refer to "(1) Board of Directors"
<p>&lt;Reason for Appointment&gt;  Mr. Hironaga Miyama has considerable knowledge of and experience in the exchange business in general, and, as President &amp; CEO of Japan Securities Clearing Corporation, he manages and oversees the overall business and operations of a core subsidiary of JPX Group. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Executive Officer	Isao Hasegawa	General Administration and Human Resources	Executive Officer, Tokyo Stock Exchange, Inc. Executive Officer, Osaka Exchange, Inc.
<p>&lt;Reason for Appointment&gt;  Mr. Isao Hasegawa joined Tokyo Stock Exchange in 1987. He subsequently engaged in operations in relation to corporate strategy, general administration, and the stock market at JPX Group. Since assuming office in June 2014 as an Executive Officer of the Company, as the officer in charge of general administration and human resources, he has primarily worked on the appropriate development of corporate governance in the Company and the promotion of working-style reforms. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Executive Officer	Satoshi Futagi	Corporate Strategy	Director, Japan Securities Clearing Corporation (Part-time) Outside Director, Japan Securities Depository Center, Incorporated
<p>&lt;Reason for Appointment&gt;  Mr. Satoshi Futagi joined Tokyo Stock Exchange in 1988. He subsequently engaged in operations in relation to corporate strategy, treasury, corporate communications, systems, and the stock market at JPX Group. Since assuming office in June 2015 as an Executive Officer of the Company, as the officer in charge of human resources and corporate communications, he has primarily worked on policies to reform JPX Group's personnel system and improve the profile of the Company's brand. In addition, since assuming office in April 2017 as the officer in charge of corporate strategy, he has been exploring new ways to utilize fintech through such activities as promoting block-chain proof of concept testing with the cooperation of other participants in a consortium. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			
Executive Officer	Atsushi Tabata	CFO, Treasury, Corporate Communications, and IR	
<p>&lt;Reason for Appointment&gt;  Mr. Atsushi Tabata joined Tokyo Stock Exchange in 1988. He subsequently engaged in operations in relation to, among others, the secretary's office, corporate strategy, and general administration at JPX Group. Since assuming office in April 2016 as an Executive Officer of the Company, as the officer in charge of global strategy, he has engaged in the provision of support to overseas exchanges and the promotion of cooperation with various overseas organizations. In addition, since assuming office in April 2017 as CFO of the Company, he has been managing, overseeing, and advancing JPX Group's financial strategies. He has been appointed as Executive Officer in consideration of his experience and accomplishments with JPX Group.</p>			



## 2. Policies Regarding Decisions on Compensation for Directors and Executive Officers

Compensation for Directors and Executive Officers of the Company is comprised of (1) basic salary, (2) bonus, and (3) company stock, and is determined by the Compensation Committee.

(1) Basic salary is consideration for daily business execution and participation in management commensurate with each position and its duties. (2) Bonus consists of an amount of short-term incentive determined based on consolidated net income and an amount of medium-term incentive determined in accordance with, among others, the state of implementation of the business plan as well as the state of achievement of management and financial targets. (3) Company stock is incentive for raising medium-to-long term corporate value and is an amount commensurate with each position and its duties that is allocated to purchasing shares of the Company.

With regard to Directors (excluding those who serve concurrently as Executive Officers), the Company does not pay bonus or offer company stock from the perspective of their roles and independence.

## 3. Compensation Paid to Directors and Executive Officers

Classification	No. of Recipients	Amount Paid (JPY million)
Directors	11	153
[of which Outside Directors]	(9)	(125)
Executive Officers	7	423

- (Notes)
1. Four Directors serving concurrently as Executive Officers do not receive compensation as Directors and are, therefore, not included in the number of recipients. Furthermore, one Executive Officer serving concurrently as Director of Tokyo Stock Exchange, Inc., one Executive Officer serving concurrently as Director of Osaka Exchange, Inc., and one Executive Officer serving concurrently as Director of Japan Securities Clearing Corporation do not receive compensation as Executive Officers and are, therefore, not included in the number of recipients.
  2. The above amounts include JPY 167 million paid in bonuses to Directors and Executive Officers as decided in the Compensation Committee on April 23, 2018.
  3. During the fiscal year under review, JPY 5 million in total was separately paid out to Outside Directors as compensation by Japan Exchange Regulation.

## 4. Summary of Limited Liability Agreements

The Company has concluded limited liability agreements with Non-Executive Directors Mr. Hiroki Tsuda, Ms. Christina Ahmadjian, Mr. Hitoshi Ogita, Mr. Hideaki Kubori, Ms. Main Kohda, Mr. Eizo Kobayashi, Mr. Makoto Minoguchi, Mr. Kimitaka Mori, and Mr. Tsuyoshi Yoneda pursuant to Article 423, Paragraph 1 of the Companies Act. The liability limit under such agreements is the prescribed minimum amount specified by laws and regulations.

5. Item Related to Outside Directors

Primary activities during the fiscal year

Position	Name	Primary Activities
Director	Hiroki Tsuda	Attended all 11 Board of Directors meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Christina Ahmadjian	Attended all 11 Board of Directors meetings; attended all 3 Compensation Committee meetings; attended all 11 Audit Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Hitoshi Ogita	Attended all 11 Board of Directors meetings; attended all 4 Nomination Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Hideaki Kubori	Attended all 11 Board of Directors meetings; attended all 4 Nomination Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Main Kohda	Attended all 11 Board of Directors meetings; attended all 11 Audit Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Eizo Kobayashi	Attended 10 of the 11 Board of Directors meetings; attended all 3 Nomination Committee meetings held after assuming the position; attended all 3 Compensation Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Kimitaka Mori	Attended 10 of the 11 Board of Directors meetings; attended all 2 Compensation Committee meetings held after assuming the position; attended 10 of the 11 Audit Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Tsuyoshi Yoneda	Attended all 11 Board of Directors meetings; attended all 11 Audit Committee meetings; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.

Reference

Corporate Governance System

Basic Views on Corporate Governance

In order to conduct management in line with its corporate philosophy, the Company is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, the Company has established the basic views on corporate governance from the four perspectives described below. Based on these basic views, the Company is committed to properly developing its corporate governance system in light of the intent of the individual principles of Japan’s Corporate Governance Code.

**Corporate Philosophy and Social Mission**  
 JPX Group operates markets that are a public asset and fulfills its social mission by pursuing the sustainable development of its markets.

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

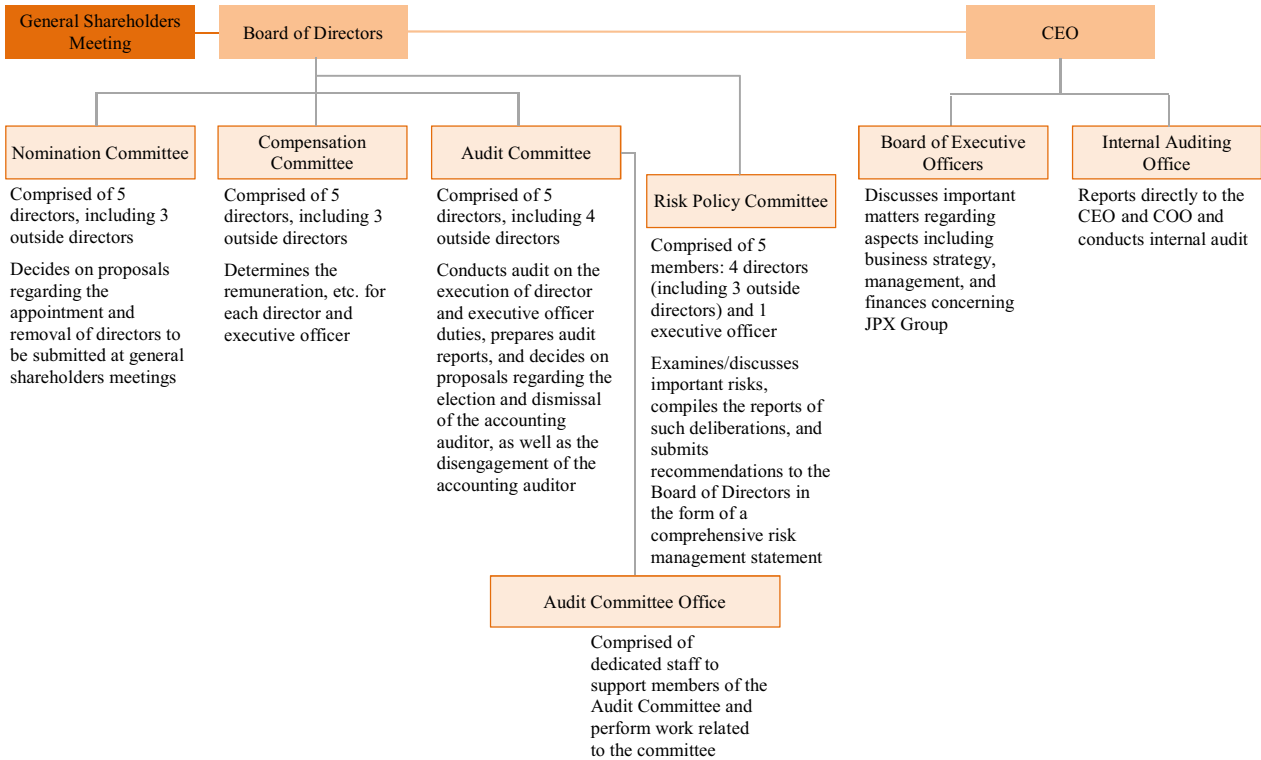
**Market Operations**  
 JPX Group operates markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all investors and market users, and maintaining and enhancing such support and confidence will build the foundations for sustainable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

**Effective Corporate Governance**  
 JPX strives to constantly improve its corporate governance system to further facilitate effective and proper systems, so as to support the sustainable development of its markets.

Corporate Governance System

The Company clearly segregates the management oversight and the business execution functions, and adopts the structure of "a company with a nomination committee and other committees" to strengthen oversight and raise the transparency of management.

Corporate Governance System Diagram



- **Composition of the Board of Directors**

The Company’s Board of Directors is composed of 13 directors, including two women. The functions of the board include increasing the transparency and accountability of the management and enhancing the supervision of the appropriateness of business execution. To accomplish this, the composition of the board includes a non-executive Chairman, who is among eight Outside Directors that constitute a board majority. Of these eight Outside Directors, seven are filed as persons that satisfy the independent director criteria.

The breakdown of the seven Independent Outside Directors is as follows: two corporate managers, one legal expert, one certified public accountant, three researchers or former government officials. 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 the Company.

- **Nomination, Compensation, and Audit Committees**

As required by law, the Company has set up 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 in both 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 Company 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. The Company also has an Audit Committee Office to assist the Audit Committee members in the performance of their duties.

- **Establishment of Independent Outside Directors Committee**

The Company has established an Independent Outside Directors Committee as a corporate organ composed exclusively of part-time Independent Outside Directors to allow them to exchange information and form consensus among themselves. The committee helps part-time Independent Outside Directors to better perform management oversight and facilitate active discussion at Board of Directors meetings.

### **Independent Outside Directors Committee**

<b>Objectives</b>	<p>For part-time Independent Outside Directors to exchange information and form consensus</p> <p>* The Chairman of the board, CEO, and other members of management may participate upon the request of the Committee.</p>
<b>Frequency of Meetings</b>	<p>In principle, at least twice a year</p> <p>* The Committee Chairman convenes meetings as needed.</p>
<b>Committee Chairman</b>	<p>The Committee Chairman convenes meetings and presides over them.</p> <p>When the Committee deems it necessary for ensuring smooth communication, the contents of the discussions of the Committee can be reported to the Chairman of the board, CEO, and other members of management.</p>

- **Establishment of Risk Policy Committee**

The Company has established a Risk Policy Committee, mainly composed of Outside Directors, with the aim of bringing in outside perspectives to risk management to further improve corporate governance.

- **Preventive Risk Management**

Every fiscal year, the Company identifies risks in the internal and external environments that could have a significant impact on JPX Group. The Company implements measures to prevent the realization of such risks, and in doing so, is constructing systems designed to minimize the impact of such risks and respond flexibly toward issue resolution in the

event that such risks are realized. The Risk Policy Committee is tasked with identifying risks.

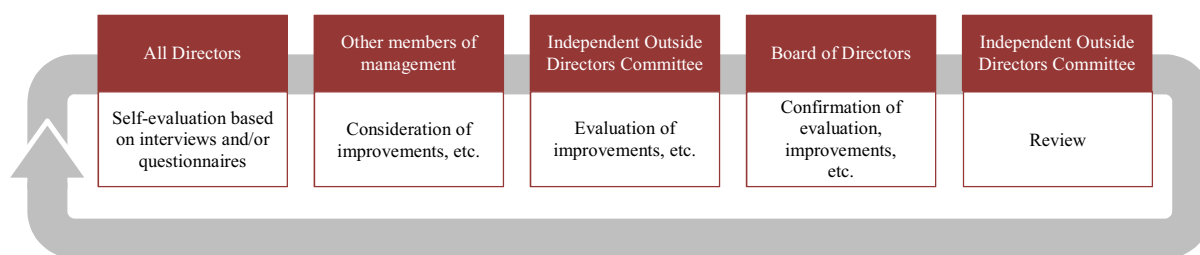
• Evaluating the Effectiveness of the Board of Directors

At the Company, the Board of Directors analyzes and evaluates its own effectiveness based on questionnaires and/or interviews with all board members. To increase the objectivity and transparency of the evaluation process, the Independent Outside Directors Committee is tasked with conducting the evaluation.

For a summary of results of the evaluation of the effectiveness of the Board of Directors in FY2017, please refer to the Company's Corporate Governance Report

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

**Board Effectiveness Evaluation Cycle**



## V. Accounting Auditor

### 1. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

### 2. Compensation, etc. Paid to Accounting Auditor

Compensation, etc. paid to Deloitte Touche Tohmatsu LLC

	Amount Paid
1) Total compensation, etc. paid to the Accounting Auditor by the Company and its subsidiaries	JPY 90 million
2) Of the total in 1), the total amount of compensation, etc. paid as a consideration for audit certification under Article 2, Paragraph 1 of the Certified Public Accountants Act	JPY 90 million
3) Of the total in 2), the amount of Accounting Auditor's compensation, etc. paid by the Company	JPY 35 million

(Note) The Company's Audit Committee reviewed the audits performed during the preceding fiscal year and the content of the audit plan for the fiscal year in accordance with "Practical Guidelines Regarding Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association. It then considered the appropriateness of the estimated audit duration and compensation before granting the consent required pursuant to Article 399, Paragraphs 1 and 4 of the Companies Act for the compensation, etc. paid to the Accounting Auditor.

### 3. Non-audit Services

There are no matters to report.

### 4. Policy Regarding Decisions to Dismiss or Not to Reappoint the Accounting Auditor

The Audit Committee shall submit a proposal to the general shareholders meeting on the dismissal or non-reappointment of the Accounting Auditor in the event that the Committee determines that such action is necessary in light of a comprehensive assessment of the Accounting Auditor's independence, trustworthiness, and other conditions related to the performance of its duties.

In addition, if any of the provisions of the items of Article 340, Paragraph 1 of the Companies Act are deemed to apply to the Accounting Auditor, the Company shall dismiss the Accounting Auditor.

### 5. Matters Related to Limited Liability Agreement

There are no matters to report.

## VI. Matters Related to Development of Frameworks Designed to Ensure Appropriate Execution of Operations

### 1. Outline of Decisions Regarding Frameworks to Ensure Appropriate Execution of Operations

The outline of the content of decisions regarding the Company's frameworks to ensure that executive officers carry out their duties in compliance with laws, regulations, and the Articles of Incorporation, and that other company operations are conducted appropriately, is as follows.

#### (1) Matters regarding Board Members and Employees that Support the Audit Committee of the Company in Execution of Duties

In order to set forth matters regarding employees that support the Audit Committee in the execution of its duties, the Company shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (a) Employees assigned to the Audit Committee Office shall support the Audit Committee in the execution of its duties and follow instructions of the Audit Committee.
- (b) Four (4) or more employees, including an office director, shall be assigned to the Audit Committee Office.

#### (2) Matters regarding Independence of Board Members and Employees that Support the Audit Committee of the Company in Execution of Duties from Executive Officers of the Company

In order to ensure the independence of employees assigned to the Audit Committee Office, the Company shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (a) The Company shall obtain prior consent of the Audit Committee (in cases where the Committee has designated a specific Audit Committee member, it shall be such member) regarding employment, personnel transfer, employee evaluation, salary, and disciplinary punishment of employees assigned to the Audit Committee Office.
- (b) Executive officers and employees shall be careful not to undermine the independence of employees assigned to the Audit Committee Office by unduly restricting the execution of such employees' duties.

#### (3) Matters regarding Ensuring the Effectiveness of Instructions of the Audit Committee of the Company to Board Members and Employees that Support the Audit Committee in Execution of Duties

In order to ensure the effectiveness of the instructions of the Audit Committee given to employees assigned to the Audit Committee Office, the Company shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (a) Employees assigned to the Audit Committee Office shall support the Audit Committee in executing its duties, and follow the instructions of the Audit Committee.
- (b) The director of the Audit Committee Office shall assist the Audit Committee in executing its duties and, for the purpose of smooth audits by the Audit Committee, shall oversee operations and take overall command of other employees assigned to the Audit Committee Office.

#### (4) Frameworks for Reporting to the Audit Committee of the Company, including Those Specified below

- (a) Frameworks for reporting to the Audit Committee, including those for the Company's board members (excluding Audit Committee members), executive officers, and employees reporting to the Audit Committee of the Company.

In order to develop frameworks for reporting to the Audit Committee, the Company shall establish "Rules regarding Reports to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- i. When a board member (excluding Audit Committee members), executive officer, or employee is requested to report on execution of duties by the Audit Committee or an Audit Committee member designated by the Audit Committee, such board member, executive officer, or employee shall promptly make an appropriate report.
  - ii. When an executive officer or employee discovers a matter that is likely to have a material impact on the business or financial condition of the Company, its subsidiaries, or affiliated companies, such executive officer or employee must immediately report the details of such matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.
- (b) Frameworks for reporting to the Audit Committee of the Company by the Company's subsidiary board member, auditor, executive officer, other person equivalent thereto, and employee as well as a person who has received a report from such

board member, etc. (hereinafter collectively referred to as "Subsidiary Board Member, etc." in this item)

In order to develop frameworks for reporting to the Audit Committee, the Company shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- i. When a Subsidiary Board Member, etc., or an executive officer or employee of the Company is requested to report on matters regarding the subsidiaries by the Audit Committee or an Audit Committee member designated by the Audit Committee, such Subsidiary Board Member, etc. shall promptly make an appropriate report.
- ii. When a Subsidiary Board Member, etc., or an executive officer or employee of the Company discovers a matter that is likely to have a material impact on the business or financial condition of any of the subsidiaries, such Subsidiary Board Member, etc. must immediately report the details of such matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.

(5) Frameworks for Ensuring that the Person who Made a Report in the above (4) Shall Not Be Subject to Any Unfavorable Treatment for Reason of Having Made Such Report

In order to establish frameworks for ensuring that a person who made a report to the Audit Committee shall not be subject to unfavorable treatment for reason of having made such report, the Company shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (a) A person who made a report to the Audit Committee or an Audit Committee member designated by the Audit Committee shall not be subject to unfavorable treatment by the Company, executive officers, employees, etc. for reason of having made such report.
- (b) The Company, executive officers, employees, etc. must not disadvantage a person who made such report to the Audit Committee or the Audit Committee member designated by the Audit Committee for reason of having made such report.

(6) Matter regarding the Policy for Handling Expenses or Payables in relation to Execution of Duties of Members of the Audit Committee of the Company (Limited to Those related to the Execution of Duties of the Audit Committee), such as Procedures for Advance Payment or Reimbursement in relation to Execution of Such Duties

With respect to the policy for handling expenses or payables in relation to the execution of duties of Audit Committee members, the Company shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (a) When an Audit Committee member or the Audit Committee claims expenses necessary for activities such as requesting advice from or entrusting investigation, appraisal, and other work to a lawyer, certified public accountant, and other outside experts for the purpose of audits, executive officers and employees may not refuse such claims unless the claimed expenses are deemed unnecessary for the execution of duties of the Audit Committee member or the Audit Committee.
- (b) The provisions of the preceding item shall be applied to expenses for the execution of duties of the Audit Committee, including advance payment of retainer fees, and reimbursement of ex-post facto expenses, etc.

(7) Frameworks to Ensure Effectiveness of Audits by the Audit Committee of the Company

In order to ensure the effectiveness of audits by the Audit Committee, the Company shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (a) The representative executive officer shall regularly meet with the Audit Committee or an Audit Committee member designated by the Audit Committee and exchange opinions regarding management policies, issues that the Company should deal with, material risks involving the Company, improvement of the audit environment for the Audit Committee, other important audit issues, etc.
- (b) When an Audit Committee member designated by the Audit Committee delivers an opinion or requests explanation at board of executive officers meetings or other important meetings, executive officers and employees shall respond to such opinion and request appropriately in good faith.

(8) Frameworks to Ensure that Execution of Duties of Executive Officers and Employees of the Company is in Compliance with Laws, Regulations, and the Articles of Incorporation

The Company shall conduct operations in accordance with the division of duties and authority prescribed in company rules and ensure that the execution of duties is in compliance with laws, regulations, and the Articles of Incorporation.



A compliance program shall be implemented with the following measures.

- (a) The Company shall establish and observe company compliance rules (including those related to information management), such as "Charter of Corporate Behavior", which lays out universal values that executive officers and employees should adhere to from the perspective of corporate ethics, and the employee code of conduct, which is a guideline for employee conduct.
- (b) The Company shall appoint a chief compliance officer (CEO) and an officer in charge of compliance (executive officer in charge of general administration), and establish a secretariat for operations related to compliance (within the General Administration department) as an internal compliance system.
- (c) The Company shall establish and operate a compliance hotline as a whistleblowing system.
- (d) The Company shall continuously conduct awareness and educational activities, such as holding liaison meetings for staff responsible for compliance, distributing compliance information over the intranet, and implementing in-house training through e-learning.

The Company shall enact the following measures based on "Charter of Corporate Behavior" toward the exclusion of anti-social forces.

- (a) The Company shall take a firm stance against anti-social forces that threaten public order and safety, and work to stop and prevent any relationship with such entities.
- (b) The Company shall work to prevent the intervention of anti-social forces in the financial instruments markets and work to create sound and fair markets.

An internal auditing office shall be established under the direct control of the CEO and COO, and it shall conduct internal audits.

- (9) Framework regarding Information Storage and Management related to Execution of Duties of Executive Officers of the Company

The Company shall set forth provisions regarding the handling of the storage of documents pertaining to the execution of duties of executive officers, such as minutes of the board of executive officers meetings, in the information security policy standards clarified in the company rules.

- (10) Rules and Other Frameworks regarding Loss Risk Management of the Company

The Company shall employ a business operation framework in accordance with the division of duties and authority clarified in the company rules, and based on the idea that board members, executive officers, and employees shall conduct business and operations with an awareness of risk management with responsibility in accordance with their own scope of duties and authority.

The Company shall establish a Risk Policy Committee with an Outside Director as the chair and a Risk Management Committee with the CEO as the chair, as described below, in order to be aware of risks of the corporate group comprised of the Company and its subsidiaries (hereinafter referred to as "JPX Group Companies"), to develop and manage appropriate measures against such risks from the perspective of prevention, and to develop a structure where such risks and measures taken against them shall be regularly reported. At the same time, the Company shall set forth a "Risk Management Policy" and manage it appropriately.

The Risk Policy Committee shall discuss various issues pertaining to the management of material risks at JPX Group Companies in accordance with the comprehensive risk management framework stipulated in the "Risk Management Policy", and make recommendations and report to the Board of Directors.

The Risk Management Committee shall gain a comprehensive understanding of the daily risk management situations at JPX Group Companies, as well as the circumstances in cases where any risk at JPX Group Companies is actualized, or such possibility arises, enact measures for prompt resolution, etc., and report to the Board of Directors.

Particularly, the Company shall maintain a strong awareness of the core responsibilities of JPX Group Companies as market operator to stably provide opportunities for market users to trade with confidence. Furthermore, regarding risks related to the stable operation of systems, the Company will enact the required and appropriate measures in their development and operation frameworks, such as implementing standardized development methods and adequate operational tests, preparing detailed operational manuals and complying with such, and maintaining thorough quality control pertaining to development and operations via the establishment of dedicated departments or divisions.

Moreover, in preparation for situations where the continued operation of the market becomes difficult due to natural disasters, terrorist acts, etc., the Company shall establish a "Business Continuity Plan" to minimize the impact on related

parties and provide appropriate measures through predetermined frameworks and procedures necessary for resuming operations as quickly as possible.

Additionally, with regard to the risks pertaining to the proper function of self-regulatory operations (meaning various risks including reputational risk in cases where self-regulatory operations are not carried out appropriately), in consideration of the importance of self-regulatory functions of JPX Group Companies as market operator and the general public's high expectations for such functions, the Company shall take every possible measure to deal with them. For taking such actions, the Company shall establish measures to secure fairness, such as organizational measures to ensure the independence of self-regulatory operations. At the same time, by proactively investing management resources, the Company will pursue improvements to the quality of self-regulatory operations through such means as preparing detailed operational manuals and complying with such, and enhancing educational training in order to raise the quality of self-regulatory operations.

(11) Frameworks to Ensure Efficient Execution of Duties of Executive Officers of the Company

The Company shall establish a framework for the management of operations in accordance with the division of duties and authority clarified in the company rules so as to specialize and enhance operations through a system of divided labor. Within this framework, the Company shall allow authority to be delegated according to their importance and improve the agility of the decision-making process.

The Company shall formulate medium-term management and annual budget plans with the appropriate combination of top-down and division-driven bottom-up approaches and execute operations efficiently through appropriate work-flow management.

(12) Frameworks to Ensure Proper Operations by the Corporate Group Comprised of the Company, its Parent Company, and its Subsidiaries

- (a) Framework for reporting of matters related to the execution of duties of board members, executive officers, and persons equivalent thereto of subsidiaries of the Company (hereinafter collectively referred to as "Board Members, etc. of Subsidiaries") to the Company

The Company shall conduct business management of its subsidiaries based on business management agreements or request various reports based on "Affiliated Company Management Rules".

- (b) Frameworks including rules regarding management of risk of losses that may be incurred by subsidiaries of the Company

The Company shall conduct business management of its subsidiaries based on business management agreements. The Company shall also request them to report the state of risk management based on "Affiliated Company Management Rules" and provide advice, etc. to them on an as-needed basis.

- (c) Framework for ensuring efficient execution of duties by Board Members, etc. of Subsidiaries

The Company shall conduct efficient execution of duties of JPX Group Companies by appropriately managing and supporting subsidiaries in accordance with each JPX Group Company's corporate positioning and scale based on business management agreements or "Affiliated Company Management Rules".

- (d) Framework for ensuring that the execution of duties by Board Members, etc. of Subsidiaries and their employees is in compliance with laws, regulations, and the Articles of Incorporation

The Company shall continuously conduct awareness and educational activities, such as holding liaison meetings with staff responsible for compliance at JPX Group Companies and disseminating information on compliance.

The Company shall conduct business management of its subsidiaries based on business management agreements or request them to establish a compliance hotline as a whistleblowing system based on "Affiliated Company Management Rules", and provide advice, etc. to them on an as-needed basis.

The Company shall request its subsidiaries to report results of internal audits by the internal auditing office of the Company or those of internal audits by the subsidiaries and provide advice, etc. to them on an as-needed basis based on business management agreements or "Affiliated Company Management Rules",.

- (e) Other frameworks to ensure proper operations by the corporate group comprised of the Company, its parent company, and its subsidiaries

The Company shall establish "Charter of Corporate Behavior", which lays out universal values that executive officers and employees of JPX Group Companies should adhere to from the perspective of corporate ethics.

## 2. Outline of Application of Organization to Ensure Appropriate Execution of Operations

The Company endeavors to develop the above "Organization to Ensure Appropriate Execution of Operations" and apply it appropriately. From its independent position from the business execution divisions, the internal auditing office reports directly to the CEO and COO and checks and evaluates (monitors) whether the frameworks stipulated by said basic policy (excluding those for ensuring the effective implementation of audits by the Audit Committee) are appropriately developed and applied. The following is the outline of the major initiatives implemented during this fiscal year.

### (1) Application of Frameworks for Compliance

- (a) In addition to continuously operating the compliance hotline as a whistleblowing system and appropriately responding to and reporting tip-offs, the Company posted relevant documents on its intranet with the aim of raising the awareness of and disseminating thoroughly the observance of compliance-related internal rules and regulations, such as "Charter of Corporate Behavior", which lays out universal values that executive officers and employees should adhere to from the perspective of corporate ethics, and the employee code of conduct, which is a guideline for employee conduct. The Company also distributed compliance-related information to executive officers and employees and provided training through e-learning courses.
- (b) As part of its efforts to prevent the intervention of anti-social forces in the TSE and OSE markets and create sound and fair financial instruments markets, the Company held a meeting of the "Liaison Council on Measures for Eliminating Anti-Social Forces from Exchange Markets" organized jointly with National Police Agency and Tokyo Metropolitan Police Department in December 2017, where it shared detailed information on recent developments and actively exchanged opinions.

### (2) Application of Frameworks regarding Information Storage and Management

- (a) In accordance with the information security policy standards and other relevant rules, the Company prepares minutes of board of executive officers meetings and other documents related to the execution of duties of executive officers in a timely and appropriately manner and stores important documents internally or at an outsourcing contractor appropriately.
- (b) As initiatives to prevent information leakage and unauthorized access from the outside, the Company not only developed relevant rules and formulated administrative procedures, but also continually implemented system-based security measures. In addition, to thoroughly disseminate the importance of information management to executive officers and employees, the Company conducted training through e-learning courses and drills on response to suspicious e-mails.

### (3) Application of Frameworks regarding Loss Risk Management

- (a) In accordance with the "Risk Management Policy", each department continuously identified risks and developed and implemented appropriate measures from the viewpoint of prevention. The state of development and implementation as well as Group-wide risk analysis results were discussed quarterly at the Risk Management Committee chaired by the CEO. In addition to constructing a "Comprehensive Risk Management Framework" as a risk management arrangement that places greater emphasis on prevention, JPX Group established a Risk Policy Committee, which is mainly composed of Outside Directors, in February 2017 with the aim of strengthening corporate governance in risk management. The Committee discussed "critical risks" that JPX Group should prioritize in FY2018 in risk management two times during this fiscal year.
- (b) The Company recognizes that stable system operation is essential to maintaining the reliability and stability of the markets. The Company renewed the derivatives clearing system and the OTC clearing system of JPX Group in February 2018 and implemented the necessary measures, including implementing standardized development techniques and various confirmation tests sufficiently, developing and observing detailed operational manuals, and implementing thorough quality control.
- (c) In situations where the continued operation of the market becomes difficult due to events such as natural disasters and terrorist acts, the Company shall take action in accordance with the "Business Continuity Plan" to minimize the impact on related parties and resume operations as quickly as possible. During this fiscal year, to strengthen business continuity in the event of a wide-area disaster, such as the Tokyo Inland Earthquake and the Nankai Trough Earthquake, JPX Group pursued plans to arrange for its Tokyo and Osaka sites to serve as backup sites for each other. In addition, for thorough dissemination of emergency response procedures, the Company provided training for executive officers and employees through e-learning courses and drills that simulated emergency situations.

(4) Application of Frameworks to Ensure Efficient Execution of Duties

- (a) Each department conducts operations by delegating authority as necessary according to their contents, thereby ensuring a swift and flexible decision-making process.
- (b) To achieve the targets in the 2<sup>nd</sup> Medium-Term Management Plan (FY2016-FY2018) (formulated on March 22, 2016; FY2017 Business Plan updated on March 31, 2017; and FY2018 Business Plan updated on April 27, 2018), the Company improved the efficiency of the execution of duties through appropriate progress management, such as reporting earnings and progress regularly to the board of directors and the board of executive officers, and reviewing the business plan according to changes in business environment.

(5) Application of Frameworks regarding Management of Group Companies

- (a) Regarding management of its subsidiaries, the Company implements business management based on business management agreements or receives various reports including documents on financial conditions and the state of risk management based on "Affiliated Company Management Rules". The Company continuously monitored financial conditions and state of business execution, and provided advice, etc. when necessary.
- (b) The Company received reports on results of internal audits on subsidiaries by the internal auditing office of the Company or those of internal audits by its subsidiaries. No material deficiencies were identified in such audit results.

(6) Application of Frameworks to Ensure Effective Audits by the Audit Committee

While endeavoring to ensure effective audits by the Audit Committee through the Committee members' participation in important meetings such as board of directors meetings, board of executive officers meetings, and Risk Management Committee meetings, examination of important documents such as those for important meetings and internal approval procedures, and coordination with the internal auditing office, the Company appropriately made various reports on matters related to execution of duties and processed auditing expenses based on the "Rules regarding Reports to the Audit Committee, etc."

## VII. Policy Regarding Decisions on Dividends Paid Out of Retained Earnings, etc.

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

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

Furthermore, the Company stipulates "Except as otherwise provided by laws and regulations, the Company shall decide on matters provided in each item of Article 459, Paragraph 1 of the Companies Act including dividends paid out of retained earnings by resolutions of the Board of Directors, but not by resolutions of the general shareholders meeting" in the Articles of Incorporation.

## VIII. Basic Policy Regarding Control of the Company

The Company has not prescribed a basic policy or takeover defense measures related to entities controlling decisions on the Company's policy on finances or business.

However, the following legal provisions exist regarding the acquisition/holding of a certain amount or more of the Company's stock.

(Reference) Excerpts from Related Laws

(a) Article 103-2, Paragraph 1 of the Financial Instruments and Exchange Act

It is prohibited for any person to acquire or hold a number of voting rights (excluding the voting rights that are specified by Cabinet Office Ordinance in consideration of the manner in which they are acquired or held and any other circumstances; hereinafter referred to as "Subject Voting Rights" in this Chapter) constituting 20 percent or more (or 15 percent or more, if a fact has occurred that is specified by Cabinet Office Ordinance as something that is presumed to have a material influence on decisions about financial and operational policies; hereinafter referred to as the "Threshold Holding Ratio" in this Chapter) of all shareholders' voting rights in a Stock Company-Operated Financial Instruments Exchange; provided, however, that this does not apply if an Authorized Financial Instruments Business Association, Financial Instruments Exchange, Financial Instruments Exchange Holding Company, Commodity Exchange, or Commodity Exchange Holding Company acquires or holds Subject Voting Rights.

(b) Article 106-14, Paragraph 1 of the Financial Instruments and Exchange Act

It is prohibited for any person to acquire or hold a number of Subject Voting Rights in a Financial Instruments Exchange Holding Company which is equal to or greater than the Threshold Holding Ratio of all shareholders' voting rights; provided, however, that this does not apply if an Authorized Financial Instruments Business Association, Financial Instruments Exchange, or Commodity Exchange acquires or holds Subject Voting Rights.

(c) Article 106-17, Paragraph 1 of the Financial Instruments and Exchange Act

Notwithstanding the provisions of Article 106-14, Paragraph 1, with the authorization of the Prime Minister, a Local Government, etc. may acquire or hold a number of Subject Voting Rights that is equal to or greater than the Threshold Holding Ratio, but no greater than 50 percent, of all shareholders' voting rights in a Financial Instruments Exchange Holding Company, pursuant to the provisions of Cabinet Office Ordinance.

(Regarding figures on operations presented in this report: monetary values and numbers of shares are rounded down to the nearest unit used; percentages and other figures are rounded off.)

## Consolidated Statement of Financial Position

(As of March 31, 2018)

(JPY million)

Assets		Liabilities and Equity	
Current assets		Liabilities	
Cash and cash equivalents	78,999	Current liabilities	
Trade and other receivables	11,841	Trade and other payables	5,591
Clearing business financial assets	37,311,964	Bonds and loans payable	32,500
Specified assets for deposits from clearing participants	3,621,319	Clearing business financial liabilities	37,311,964
Specified assets for legal guarantee funds	491	Deposits from clearing participants	3,621,319
Income tax receivables	6,191	Legal guarantee funds	491
Other financial assets	86,700	Trading participant security money	7,402
Other current assets	1,814	Income tax payables	14,253
Total current assets	41,119,322	Other current liabilities	7,599
		Total current liabilities	41,001,120
Non-current assets		Non-current liabilities	
Property and equipment	5,209	Bonds and loans payable	19,940
Goodwill	67,374	Retirement benefit liabilities	7,624
Intangible assets	34,208	Other non-current liabilities	3,392
Retirement benefit assets	5,956	Deferred tax liabilities	4,526
Investments accounted for using the equity method	10,407	Total non-current liabilities	35,484
Specified assets for default compensation reserve funds	27,948	Total liabilities	41,036,604
Other financial assets	36,252	Equity	
Other non-current assets	5,774	Share capital	11,500
Deferred tax assets	3,887	Capital surplus	39,716
Total non-current assets	197,019	Treasury shares	(953)
		Other components of equity	10,816
		Retained earnings	212,691
		Total equity attributable to owners of the parent company	273,771
		Non-controlling interests	5,965
		Total equity	279,736
Total assets	41,316,341	Total liabilities and equity	41,316,341

## Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

		(JPY million)
<b>Revenue</b>		
Operating revenue		120,711
Other revenue		271
	Total revenue	120,983
<b>Expenses</b>		
Operating expenses		50,902
Other expenses		15
	Total expenses	50,918
Share of income of investments accounted for using the equity method		1,726
<b>Operating income</b>		<b>71,791</b>
Financial income		1,282
Financial expenses		83
<b>Income before income tax</b>		<b>72,990</b>
Income tax expense		22,355
<b>Net income</b>		<b>50,634</b>
<b>Net income attributable to</b>		
Owners of the parent company		50,484
Non-controlling interests		149

## Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(JPY million)

	Equity attributable to owners of the parent company				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan
Balance as of April 1, 2017	11,500	59,722	(13,506)	11,604	–
Net income	–	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(787)	511
Total comprehensive income	–	–	–	(787)	511
Acquisitions of treasury shares	–	(2)	(7,452)	–	–
Retirement of treasury shares	–	(20,003)	20,003	–	–
Dividends paid	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	(511)
Other	–	–	1	–	–
Total transactions with the owners	–	(20,005)	12,552	–	(511)
Balance as of March 31, 2018	11,500	39,716	(953)	10,816	–



	Equity attributable to owners of the parent company			Non-controlling interests	Total equity
	Other components of equity	Retained earnings	Total		
	Total				
Balance as of April 1, 2017	11,604	188,634	257,955	5,815	263,770
Net income	–	50,484	50,484	149	50,634
Other comprehensive income, net of tax	(276)	–	(276)	–	(276)
Total comprehensive income	(276)	50,484	50,208	149	50,357
Acquisitions of treasury shares	–	–	(7,454)	–	(7,454)
Retirement of treasury shares	–	–	–	–	–
Dividends paid	–	(26,938)	(26,938)	–	(26,938)
Transfer from other components of equity to retained earnings	(511)	511	–	–	–
Other	–	–	1	–	1
Total transactions with the owners	(511)	(26,427)	(34,391)	–	(34,391)
Balance as of March 31, 2018	10,816	212,691	273,771	5,965	279,736

## Notes Regarding Consolidated Financial Statements

### I. Notes Regarding Important Items Underlying the Preparation of the Consolidated Financial Statements

#### 1. Accounting standards for preparing consolidated financial statements

Consolidated financial statements of the Company and its subsidiaries (hereinafter the "JPX group") are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the provision of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. In the consolidated financial statements, some items required to be disclosed in IFRS are omitted under the provision of the second sentence of the same Paragraph.

#### 2. Early application of new standard

The JPX group is carrying out early application of IFRS 9 "Financial Instruments" (amended in October 2010) from April 1, 2013.

#### 3. Item related to the scope of consolidation

Number of consolidated subsidiaries: Five

Names of consolidated subsidiaries:

Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., Japan Exchange Regulation, Japan Securities Clearing Corporation, and TOSHO SYSTEM SERVICE CO., LTD.

#### 4. Item related to application of the equity method

Number of associates accounted for by the equity method: Three

Names of associates accounted for by the equity method:

Japan Securities Depository Center, Inc., ICJ, Inc., and Tosho Computer Systems Co., Ltd.

#### 5. Items related to accounting policy

##### (1) Policy and methods of financial asset valuation

###### (a) Financial assets:

###### i. Initial recognition and measurement

The JPX group recognizes a financial asset when the JPX group becomes a party to the contractual provisions of the financial instrument.

The JPX group classifies financial assets as those measured at amortized cost if both of the following conditions are met under the facts and circumstances at the initial recognition. Otherwise, financial assets are classified as those measured at fair value through profit or loss.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The JPX group may make an irrevocable designation of recognizing changes in fair value of investments in equity instruments as other comprehensive income at initial recognition.

All financial assets are measured at the fair value plus transaction costs that are directly attributable to the financial assets, except for the case of being classified in the category of financial assets measured at fair value through profit or loss.

###### ii. Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

###### a. Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method.

###### b. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value, and changes in the fair value are recognized in profit or loss.

###### c. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are measured at fair value, and changes in the fair value are recognized as other comprehensive income. When such a financial asset is derecognized or the

decline in its fair value compared to its acquisition cost is significant, the amount recognized in other comprehensive income is transferred directly to retained earnings, rather than being recognized as profit or loss.

However, dividend income from such financial assets is recognized in profit or loss.

iii. Derecognition

Financial assets are derecognized when contractual rights to cash flows from the financial assets expire, or when contractual rights to receive cash flows generated from the financial assets are transferred in a transaction where substantially all the risks and rewards of the ownership of those financial assets are transferred.

(b) Impairment of financial assets measured at amortized cost:

In accordance with IAS 39, the JPX group assesses at the end of each fiscal year whether there is any objective evidence that financial assets measured at amortized cost are impaired. Objective evidence of impairment includes significant financial difficulty of the borrower, a default or delinquency in interest or principal payments, and bankruptcy.

The JPX group assesses evidence of impairment of financial assets measured at amortized cost for each individual asset as well as collectively for these financial assets. Significant financial assets are assessed for impairment individually. For significant financial assets for which impairment is not necessary on an individual basis, the JPX group collectively assesses whether there is any evidence of impairment that has occurred but not been identified.

If there is objective evidence that impairment losses on financial assets measured at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

When impairment is recognized, the carrying amount of the financial assets measured at amortized cost is reduced by an allowance for doubtful accounts and impairment loss is recognized. The carrying amount of the financial assets measured at amortized cost is directly reduced for impairment when they are expected to become uncollectible in the future and all collaterals are realized or transferred to the JPX group. If, in a subsequent period, the amount of impairment loss estimated changes due to an event occurring after the impairment was recognized, the previously recognized impairment loss is adjusted by an allowance for doubtful accounts.

(c) Clearing business financial assets and clearing business financial liabilities:

As a financial instruments clearing organization, Japan Securities Clearing Corporation presents receivables and payables related to transactions to be cleared as clearing business financial assets and clearing business financial liabilities (hereinafter "clearing business financial assets and liabilities") and provides a settlement guarantee by assuming debts for the transactions conducted by market participants and acting as a party to the transactions.

For cash equity transactions at financial instruments exchanges and sales and purchase transactions of Japanese government bonds at over-the-counter markets, clearing business financial assets and liabilities are initially recognized and simultaneously derecognized on the settlement date basis.

Futures transactions are initially recognized as clearing business financial assets and liabilities on the transaction date. Subsequently, those transactions are measured at fair value and their valuation differences are recognized in profit or loss. Since this company receives and pays such profit or loss as net settlements from and to clearing participants on a daily basis, the clearing business financial assets and liabilities are derecognized upon the receipt or payment.

Option transactions are initially recognized on the transaction date, while interest rate swap transactions and credit default swap transactions at over-the-counter markets are initially recognized on the date when the debt is assumed. Subsequently, these transactions are measured at fair value and their valuation differences are recognized in profit or loss.

Over-the-counter transactions of Japanese government bonds that are transactions with repurchase or resale agreement and cash-secured bond lending transactions are initially recognized on the commencement date of transactions and subsequently measured at fair value.

Clearing business financial assets and liabilities recognized are offset and presented as a net amount in the consolidated statement of financial position when the company currently holds a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Because clearing business financial assets and liabilities are recognized at the same amount, profit or loss arising from changes in their fair value is also the same amount. Hence, the profit or loss is eliminated and is not presented in the consolidated statement of income.

(2) Methods of depreciation and amortization of assets

(a) Property and equipment:

Depreciation of assets is recorded using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

- Buildings: 2 to 18 years
- Information system equipment: 5 years

(b) Intangible assets:

Amortization of assets is recorded using the straight-line method over their estimated useful lives. The estimated useful life of software, a major asset item, is five years.

(3) Accounting for employee retirement benefits

The Company and some of its subsidiaries have introduced contract-type defined benefit corporate pension plans and lump-sum retirement benefit plans as defined benefit plans, and defined contribution plans.

(a) Defined benefit plans:

For each plan the JPX group calculates the present value of defined benefit obligations, and related current service cost and past service cost using the projected unit credit method. A discount rate is determined based on the market yields on high-rating corporate bonds for the period until the expected date of benefit payment in each plan at the end of the fiscal year.

Net defined benefit liability (asset) is calculated by deducting the fair value of the plan assets (including adjustments for the asset ceiling for defined benefit asset and minimum funding requirements, if necessary) from the present value of the defined benefit obligation. The net amount of interest on net defined benefit liability (asset) is recognized as operating expenses.

Remeasurements of defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred, and transferred to retained earnings immediately. Past service costs are recognized as profit or loss in the period when they are incurred.

Except when the JPX group has legal power to use surplus in defined benefit plans for settling obligations of other plans, assets and liabilities are not set off between the plans.

(b) Defined contribution plans:

Cost for retirement benefits is recognized as expenses at the time of contribution.

(4) Standards for revenue

Revenue is recognized at fair value of the consideration received or receivable.

The JPX group is primarily engaged in the financial instruments exchanges business and its revenue consists mainly of revenue related to the rendering of services, such as trading services revenue and clearing services revenue.

For transactions involving the rendering of services, revenue is recognized in accordance with the stage of completion of the transaction as of the end of the fiscal year when all the following conditions are met and the outcome of the transaction can be estimated reliably.

- The amount of revenue can be estimated reliably.
- It is probable that economic benefits related to the transaction will flow to the JPX group.
- The stage of completion of the transaction at the end of the fiscal year can be measured reliably.
- The costs incurred in respect of the transaction and those required to complete the transaction can be measured reliably.

When a reliable estimation cannot be made for the rendering of services, revenue is recognized only to the extent of the expenses that are deemed recoverable.

Dividend income is recognized when the shareholder's right to receive payment is established.

(5) Translation of foreign currency-denominated assets and liabilities into yen

Foreign currency transactions are translated into Japanese yen, which is the Company's functional currency, at the rates of exchange prevailing at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of each fiscal year are translated into functional currency at the rates of exchange prevailing at the end of the fiscal year. Differences arising from the translation are recognized in profit or loss. However, exchange differences arising from the translation of financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income.

(6) Accounting for consumption taxes, etc.

Consumption taxes and local consumption taxes are not included in transaction amounts.

(7) Goodwill

Goodwill is not amortized. It is tested for impairment at the end of each fiscal year or whenever there is any indication of impairment, and impairment losses are recognized, if any. No reversal of impairment losses is made.

## II. Notes to Consolidated Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables: JPY 9 million

(2) Other financial assets: JPY 120 million

2. Accumulated depreciation of property and equipment (including accumulated impairment losses): JPY 11,623 million

3. Guarantee:

Guarantee for employee housing loans from financial institutions: JPY 1,332 million

4. Assets and liabilities based on various rules for ensuring safety of financial instruments trading

Deposits from clearing participants are collaterals that Japan Securities Clearing Corporation requires clearing participants to deposit (clearing deposit for clearing fund, etc., clearing margin, initial margin and variation margin) in order to provide for possible losses incurred by the company in the event of settlement default of clearing participants.

Legal guarantee funds are collaterals that Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. require trading participants to deposit to provide for possible losses incurred by entrusters of securities trading, etc. in the event of default by trading participants.

Trading participant security money is collateral that Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. require trading participants to deposit to provide for possible losses incurred by these companies in the event of default by trading participants.

Each type of collateral is deposited in the form of cash or substitute securities (only those permitted by each company's rules). For collateral that is deposited in the form of cash, an asset and a corresponding liability are recorded in the consolidated statement of financial position.

On the other hand, collaterals deposited in the form of substitute securities are not recorded in the consolidated statement of financial position. Fair values of substitute securities for the collaterals are as follows:

(a) Substitute securities for deposits from clearing participants: JPY 2,568,174 million

(b) Substitute securities for legal guarantee funds: JPY 1,001 million

(c) Substitute securities for trading participant security money: JPY 2,826 million

Default compensation reserve funds are reserve funds to cover losses incurred by Japan Securities Clearing Corporation in association with clearing operations.

### III. Notes to Consolidated Statement of Changes in Equity

1. Number and type of issued shares as of the end of the fiscal year under review: 536,351,448 common shares

#### 2. Dividend

##### (1) Dividend paid

Resolution	Share type	Total amount of dividend (JPY million)	Dividend per share (JPY)	Record date	Effective date
Board Meeting of May 16, 2017	Common share	14,066	26.00	March 31, 2017	May 29, 2017
Board Meeting of October 30, 2017	Common share	12,872	24.00	September 30, 2017	December 1, 2017

##### (2) Dividend with a record date that falls in the fiscal year under review but whose effective date falls in the next fiscal year

Resolution	Share type	Total amount of dividend (JPY million)	Source	Dividend per share (JPY)	Record date	Effective date
Board Meeting of May 14, 2018	Common share	23,063	Retained earnings	43.00	March 31, 2018	May 28, 2018

### IV. Notes Relating to Financial Instruments

#### 1. Items relating to financial instruments

Although the JPX group is exposed to various financial risks such as credit risk and liquidity risk from financial instruments in the process of carrying out business activities, the JPX group works to avoid or reduce such risks by identifying and analyzing the risks, and carrying out integrated risk management by appropriate methods.

Major risks the JPX group is aware of are credit risk and liquidity risk from clearing operations of Japan Securities Clearing Corporation.

Although Japan Securities Clearing Corporation is exposed to credit risks of clearing participants on clearing business financial assets, which are receivables the corporation acquires by assuming obligations from transactions carried out by market participants, these risks are addressed through the maintenance of systems such as a qualification system and a collateral system for clearing participants. In addition, even in cases of settlement default by clearing participants, it may be necessary for Japan Securities Clearing Corporation to cover the shortfall in funds and complete settlement itself, thus exposing the corporation to liquidity risk on clearing business financial liabilities. Even so, the said risk is addressed through the maintenance of a system to secure sufficient liquidity by such means as entering into contracts with funds settlement banks regarding liquidity supply.

#### 2. Items relating to fair value, etc. of financial instruments

Financial instruments held by the JPX group comprise cash and cash equivalents, trade and other receivables, clearing business financial assets, specified assets for deposits from clearing participants, specified assets for legal guarantee funds, specified assets for default compensation reserve funds, other financial assets, trade and other payables, bonds and loans payable, clearing business financial liabilities, deposits from clearing participants, legal guarantee funds and trading participant security money. The carrying amounts of these financial instruments are the same as or approximate to the fair values.

### V. Notes Relating to Per Share Information

1. Equity attributable to owners of the parent company per share: JPY 510.99

2. Basic earnings per share: JPY 94.17

Note: The shares of the Company held by the stock-granting ESOP trust are treated as treasury shares.



## Non-consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

	(JPY million)
<b>Operating revenue</b>	<b>41,119</b>
Management fee income	7,272
Dividend income from subsidiaries and associates	33,787
Other	60
<b>Operating expenses</b>	<b>6,000</b>
<b>Operating income</b>	<b>35,118</b>
<b>Non-operating income</b>	<b>1,403</b>
Interest income	9
Dividend income	1,382
Other	10
<b>Non-operating expenses</b>	<b>80</b>
Interest expenses	6
Interest on bonds	70
Other	3
<b>Ordinary income</b>	<b>36,441</b>
<b>Income before income taxes</b>	<b>36,441</b>
Income taxes - current	1,003
Income taxes - deferred	(65)
<b>Net income</b>	<b>35,503</b>



## Non-consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2017 to March 31, 2018)

(JPY million)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	
					General reserve	Retained earnings brought forward
Balance at the beginning of current period	11,500	3,000	20,903	23,903	5,302	73,210
Changes of items during the period						
Dividends of surplus	–	–	–	–	–	(26,938)
Acquisitions of treasury shares	–	–	–	–	–	–
Retirement of treasury shares	–	–	(20,003)	(20,003)	–	–
Net income	–	–	–	–	–	35,503
Other	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–
Total changes of items during the period	–	–	(20,003)	(20,003)	–	8,564
Balance at the end of current period	11,500	3,000	899	3,899	5,302	81,775

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments	
	Total retained earnings					
Balance at the beginning of current period	78,512	(13,506)	100,409	10,652	10,652	111,061
Changes of items during the period						
Dividends of surplus	(26,938)	–	(26,938)	–	–	(26,938)
Acquisitions of treasury shares	–	(7,452)	(7,452)	–	–	(7,452)
Retirement of treasury shares	–	20,003	–	–	–	–
Net income	35,503	–	35,503	–	–	35,503
Other	–	1	1	–	–	1
Net changes of items other than shareholders' equity	–	–	–	(205)	(205)	(205)
Total changes of items during the period	8,564	12,552	1,114	(205)	(205)	908
Balance at the end of current period	87,077	(953)	101,523	10,446	10,446	111,970

## Notes Regarding Non-consolidated Financial Statements

### I. Accounting Policies

#### 1. Standards and methods of asset valuation

##### Securities

- (a) Held-to-maturity debt securities: Amortized cost method (straight-line method)
- (b) Shares of subsidiaries and associates: Cost method based on the moving-average-method
- (c) Other securities:
  - Securities with market value: Market value method based on average market prices over a one-month period prior to the closing date of the fiscal year (differences in valuation are included in net assets and the cost of securities sold is calculated using the moving-average method)
  - Securities without market value: Cost method based on the moving-average-method

#### 2. Methods of depreciation of non-current assets

- (1) Property and equipment:

The straight-line method is used.
- (2) Intangible assets:

The straight-line method is used. The straight-line method based on the expected period of use (5 years) is used for software for internal use.

#### 3. Standards for allowances and provision

- (1) Provision for bonuses:

For payment of employee bonuses, allowance is provided for the portion of the total anticipated bonuses that is attributable to the fiscal year under review.
- (2) Provision for directors' bonuses:

For payment of bonuses to directors and executive officers, allowance is provided for the portion of the total anticipated bonuses that is attributable to the fiscal year under review.
- (3) Provision for retirement benefits:

This reserve is provided for payments of future retirement benefits to employees. It is recorded as the amount accrued at the end of the fiscal year, based on the projected retirement benefit obligation and estimated value of plan assets at the end of the fiscal year under review.

In the calculation of retirement benefit obligation, the benefit formula basis is used to attribute the projected retirement benefit to the period through the end of the fiscal year under review.

Actuarial differences are amortized using the straight-line method over a fixed number of years (10 years), which is within the average remaining years of service of the employees, as these differences are incurred, from the fiscal year following the fiscal year in which the respective actuarial differences are incurred.
- (4) Provision for stock benefits:

This reserve is provided for delivery of shares of the Company to employees in accordance with the share delivery regulations, and recorded based on the projected stock benefit obligation at the end of the fiscal year under review.

#### 4. Other significant matters which constitute the basis for preparation of the non-consolidated financial statements.

- (1) Translation of foreign currency-denominated assets and liabilities into yen  
Foreign currency-denominated assets and liabilities are translated into yen based on the exchange rate as of the closing date of the fiscal year. Other securities are translated into yen based on the average exchange rate over a one-month period prior to the closing date of the fiscal year.
- (2) Accounting for consumption taxes, etc.  
Consumption taxes and local consumption taxes are not included in transaction amounts.

#### 5. Change in presentation

"Interest on bonds" was included under "Interest expenses" of "Non-operating expenses" in the previous fiscal year. Due to its increased materiality, "Interest on bonds" is presented as an individual item from the current fiscal year.

## II. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation on property and equipment	JPY 43 million
2. Monetary claims and monetary liabilities vis-à-vis affiliated companies (excluding those presented separately)	
Short-term monetary claims	JPY 20 million
Short-term monetary liabilities	JPY 208 million
3. Guarantee:	
Guarantee for employee housing loans from financial institutions	JPY 1,332 million

### 4. Loss compensation, etc.

The Company has "Specified assets for default compensation reserve funds" recorded under assets in its balance sheet as reserve for compensation of loss suffered by Japan Securities Clearing Corporation concerning the clearing services.

## III. Notes to Non-consolidated Statement of Income

### Transactions with affiliated companies

Transaction from operating transactions	
Operating revenue	JPY 41,059 million
Operating expenses	JPY 2,437 million
Transaction from non-operating transactions	JPY 121 million

## IV. Notes to Non-consolidated Statement of Changes in Shareholders' Equity

### Type of treasury shares and number of shares at the end of the current fiscal year

Common share	585,416 shares
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Note: The shares of the Company held by the stock-granting ESOP trust.

## V. Note Relating to Tax Effect Accounting

The major cause for deferred tax liabilities was valuation difference on available-for-sale securities.

## VI. Note Relating to Transactions with Related Parties

### Subsidiaries

Type of company	Name of company, etc.	Percentage of voting rights, etc. held (held by others)	Business relationship	Type of transaction	Value of transactions (JPY million)	Accounting classification	Balance at end of period (JPY million)
			Employee secondment	Payment for secondment (Note 1)	2,044	Accrued expenses	85
	Tokyo Stock Exchange, Inc.	Directly held 100.0%	Borrowing of funds	Borrowing of funds (Note 2)	58,500	Short-term loans payable to subsidiaries and associates	58,500
			Concurrent positions of directors				
Subsidiaries	Osaka Exchange, Inc.	Directly held 100.0%	Borrowing of funds	Borrowing of funds (Note 2)	17,000	Short-term loans payable to subsidiaries and associates	17,000
			Concurrent positions of directors				
	Japan Exchange Regulation	Directly held 100.0%	Borrowing of funds	Borrowing of funds (Note 2)	5,900	Short-term loans payable to subsidiaries and associates	5,900

The transaction amounts shown above do not include consumption taxes, etc.; balance at end of period includes consumption taxes, etc.

Transaction-related conditions and policies for determining such conditions, etc.

(Note 1) The amount of payment for secondment is determined in consideration of personnel expenses for secondment to the Company.

(Note 2) Interest rates for borrowed funds are determined in consideration of market rates, etc.

## VII. Notes Relating to Per Share Information

1. Net assets per share: JPY 208.99

2. Net income per share: JPY 66.22

Note: The shares of the Company held by the stock-granting ESOP trust are treated as treasury shares.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 8, 2018

To the Board of Directors of  
Japan Exchange Group, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yoshiaki Kitamura

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takako Fujimoto

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Koji Ishikawa

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Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2018 of Japan Exchange Group, Inc. (the "Company") and its consolidated subsidiaries, and the consolidated related statements of income and changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 8, 2018

To the Board of Directors of  
Japan Exchange Group, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yoshiaki Kitamura

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takako Fujimoto

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Koji Ishikawa

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Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of Japan Exchange Group, Inc. (the “Company”), and the related statements of income and changes in net assets for the 17th fiscal year from April 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance

about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



## ■ Audit Report of Audit Committee

### Audit Report

The Audit Committee of Japan Exchange Group, Inc. (the Company) has audited the execution of official duties by the directors and executive officers of the Company during its 17th business year, the period from April 1, 2017 to March 31, 2018. Our audit methods and results are as follows.

#### 1. Auditing Methods and Content thereof

The Audit Committee monitored and inspected the resolutions of the Board of Directors and the status of establishment and operation of the system (Internal Control System) developed under such resolutions with regard to matters referred to in Article 416, Paragraph 1, Item 1, sub-items (b) and (e) of the Companies Act. At the same time, the Audit Committee performed audits by the following methods:

- (i) In accordance with auditing policies, auditing plans, etc. set by the Audit Committee, conforming to the auditing standards established by the Audit Committee, and in cooperation with the internal control divisions of the Company, the Audit Committee examined the Company's operational and financial condition through attending important meetings, receiving reports from directors, executive officers, etc. on the execution of their duties and asking for details when necessary, and examining important documents, etc. related to Company decisions. Regarding subsidiaries, the Committee maintained communication and exchanged information with directors, auditors, etc. of subsidiaries, and received business reports of subsidiaries when necessary.
- (ii) Furthermore, the Audit Committee monitored and inspected whether the Accounting Auditor performed proper audits while assuring said Auditor's independence, and received reports from the Accounting Auditor on the execution of said Auditor's duties, asking for details when necessary. The Audit Committee was also informed by the Accounting Auditor that the "system to ensure proper execution of its duties" (matters described in each item of Article 131 of the Ordinance on Accounting of Companies) has been developed in accordance with "Quality Control Standards for Audits" issued by the Business Accounting Council on October 28, 2005 and others, asking for details when necessary.

Through the above methods, the Audit Committee reviewed the business report and its supplementary statements, financial documents (balance sheet, statement of income, and statement of changes in shareholders' equity) and its supplementary statements, and consolidated financial documents (consolidated statement of financial position, consolidated statement of income, and consolidated statement of changes in equity that were prepared with omissions of part of the disclosure items required by International Financial Reporting Standards as prescribed in the second sentence of Paragraph 1 of Article 120 of the Ordinance on Accounting of Companies) for said business year.

#### 2. Results of Audit

##### (1) Results of Audit of Business Report, etc.

- (i) We certify that the business report and its supplementary statements fairly present the situation of the Company in accordance with laws and regulations as well as the Articles of Incorporation.
- (ii) We found no wrongful act or material fact in violation of laws, regulations, or the Articles of Incorporation with respect to the performance of duties by the directors and executive officers.
- (iii) We certify that the resolutions of the Board of Directors with respect to the internal control system are proper and correct. In addition, we found no matter that needed to be addressed regarding the performance of duties by the directors and executive officers with respect to the internal control system.

##### (2) Audit Results of Financial Documents and Supplementary Statements

We certify that the auditing method of Deloitte Touche Tohmatsu LLC, the Accounting Auditor, and the results of its audit are proper and correct.

##### (3) Audit Results of Consolidated Financial Documents

We certify that the auditing method of Deloitte Touche Tohmatsu LLC, the Accounting Auditor, and the results of its audit are proper and correct.

May 10, 2018

Audit Committee of Japan Exchange Group, Inc.

Member of the Audit Committee  
Tsuyoshi Yoneda

Member of the Audit Committee  
Kimitaka Mori

Member of the Audit Committee  
Christina Ahmadjian

Member of the Audit Committee  
Main Kohda

Standing Member of the Audit Committee  
Makoto Minoguchi

(Note) Members of the Audit Committee Tsuyoshi Yoneda, Kimitaka Mori, Christina Ahmadjian and Main Kohda are outside directors as stipulated in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.