

JPX IR Day 2017



JPX

Cash Equities Market & Information Services Business

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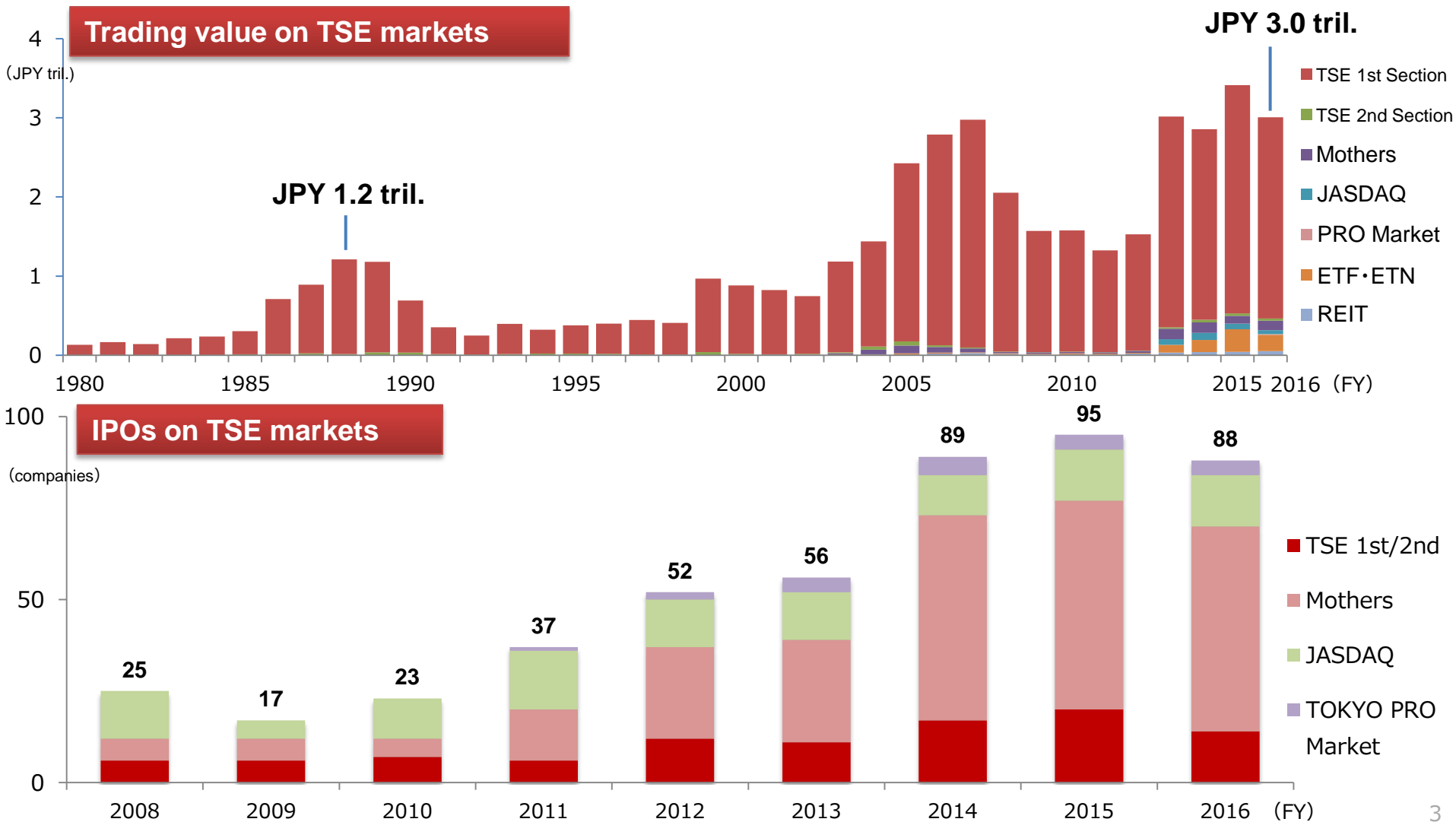
July 4, 2017

I. Business/Market Environment



Trading Value & IPOs on TSE Markets

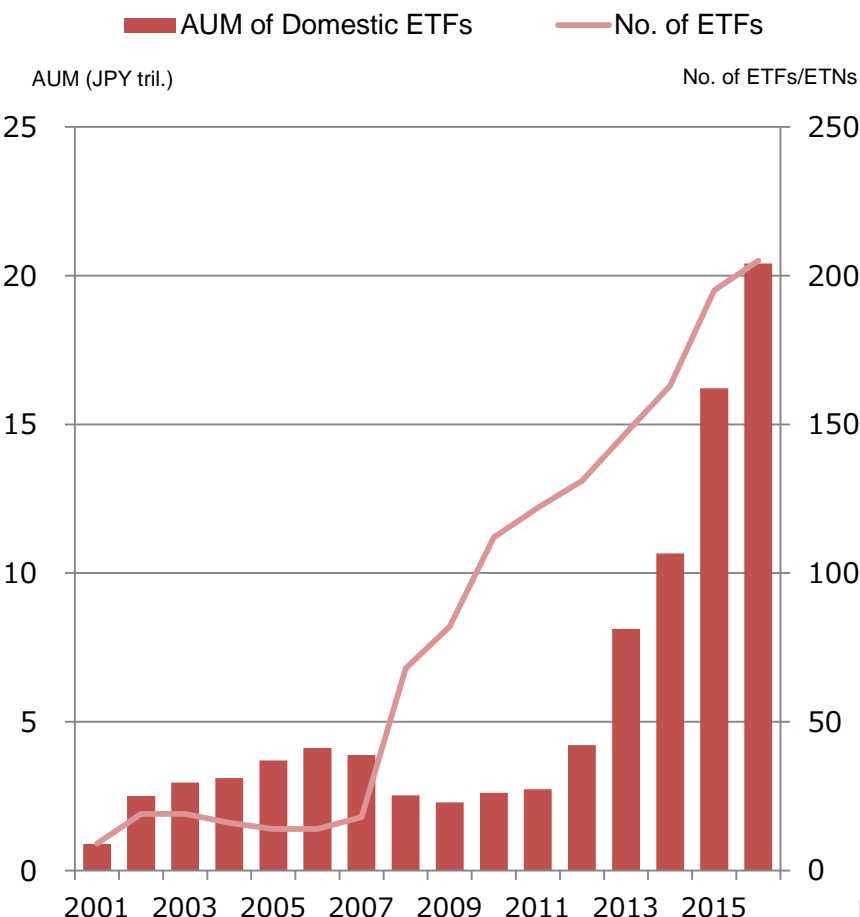
- Trading value increased over the long term with some short-term increase/decreases.
- The number of IPOs has remained high since FY2014.



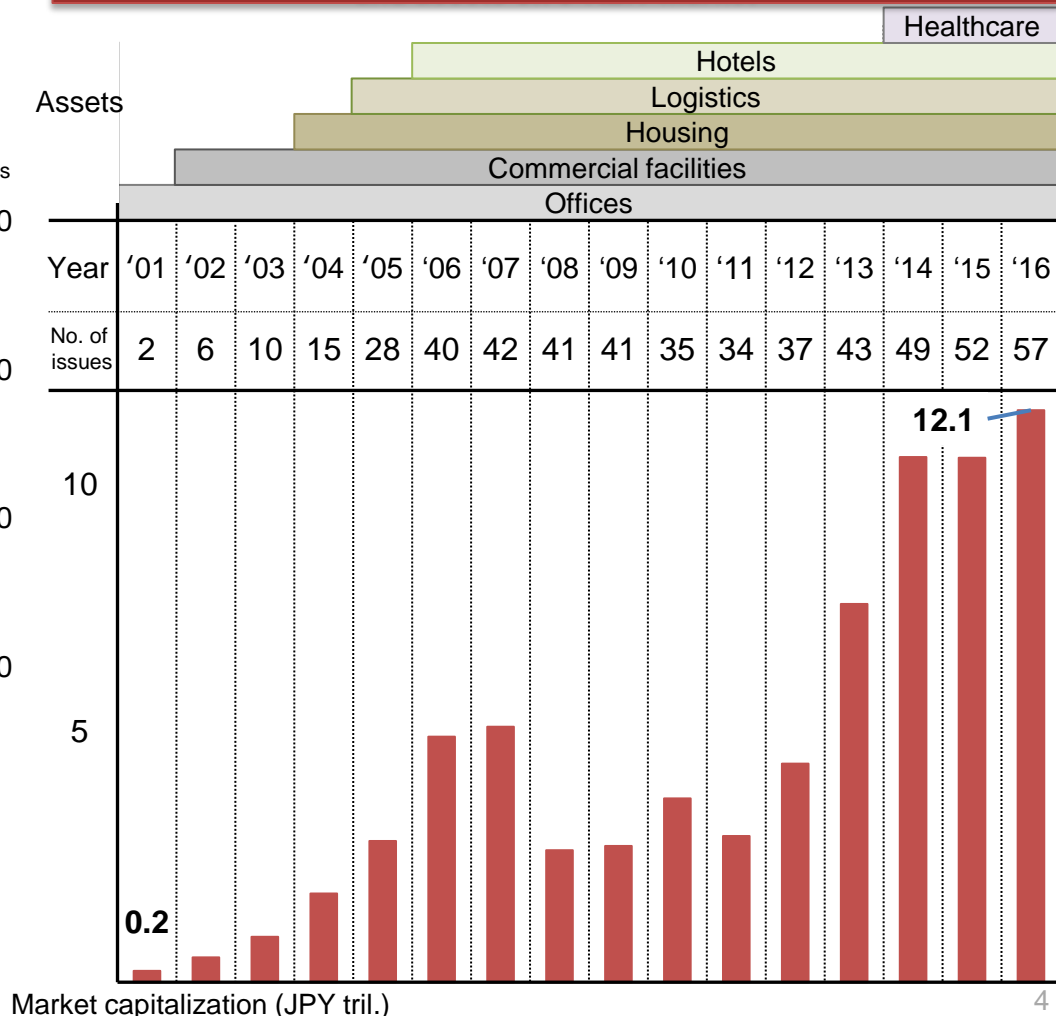
ETF/ETN & REIT Markets

- **AUM of ETF/ETN markets expanded** with more than **200 issues**.
- **J-REIT** market capitalization became the **world's 2nd largest**.
The number of **issues expanded** with **diversified assets**.

AUM and no. of ETFs



No. of issues, market capitalization, and assets on J-REIT market



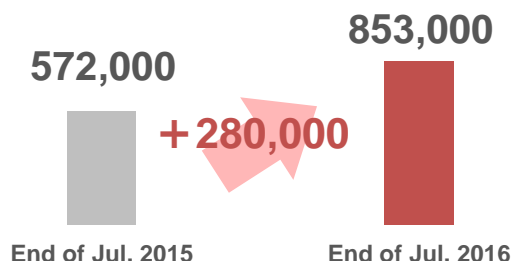
II. Core Initiatives



Development of Environment Conducive to Use of ETFs

No. of ETF holders

- Increased by **280,000** for the past year



Expansion of ETF product lineup

- Introduced a number of **ETFs linked to diverse asset classes**
 - ✓ Foreign stocks and bonds, etc. (including currency-hedged ETFs)
 - ✓ Smart beta, etc.

Enhancement of ETF market liquidity

- Adopting a **market maker scheme** to develop **an environment where orders are easily quoted**
⇒ Sufficient quotes will provide investors more opportunities to trade at appropriate prices.
- Introducing a scheme where **a CCP is involved** between investors and ETF issuers in **ETF creation/redemption**
⇒ Will help increase liquidity by standardizing and simplifying the process

	[Current situation in Japan] OTC transaction between investors and ETF issuers	[After introduction of U.S.-type scheme] Scheme where a CCP is involved between investors and ETF issuers
Operational costs/ risk	Higher	Lower
Length of settlement process	Longer (T+4~6: 1~3 days longer than that for settlement of market transactions)	Shorter (T+3: same as that for settlement of market transactions)
Cash equities price fluctuation risk	Yes (Trading dates differ between cash equities and ETFs.)	Avoidable (Cash equities and ETFs can be traded at the same time.)



JPX

Promoting Asset Building by and Improving Literacy of Retail Investors

Initiatives for More Knowledge and Better Understanding to Help Household Asset Building

- The Financial Literacy Support department, which was set up in 2016, provides a wide range of **seminars, educational programs, and web content**.
- **Financial Education Activities** were conducted to promote student's understanding of economic and financial systems.

Activities for better understanding of asset building and investment

Retail and potential investors

+ YOU: Japan Support Nationwide Caravans

- A series of seminars to communicate the significance and appeal of long term stock investment to new and potential investors

JPX Academy

- A variety of courses available for learners of all levels to access the information necessary for securities investment, from investment products and macroeconomics through to the latest economic theories

Joint seminars with securities firms, etc.

- Introducing features and advantages of ETFs
- Training for sales reps

- ✓ Educational website on asset building for retail investors in Japan



Financial Education Activities

Schools

Economy classes for parents and children

Classes outside TSE

Classes at TSE

Colleges

Lectures for college students

Teachers

Seminars for teachers

- Held during school vacations
- Interactive lectures delivered by TSE staff
- Tours of TSE facilities + economic lectures
- Tours of TSE facilities + lectures at TSE / Lectures outside TSE

Promoting IPOs

- Nationwide IPO promotion activities
- The number of IPOs from outside Tokyo continues to rise.

IPO Promotion Activities

- Visiting companies and providing support services
- Providing seminars/lectures to companies considering listing and those who are involved in the IPO business
- Collaboration with those who are related to supporting companies' IPO locally, such as regional banks



Number of IPOs by Region

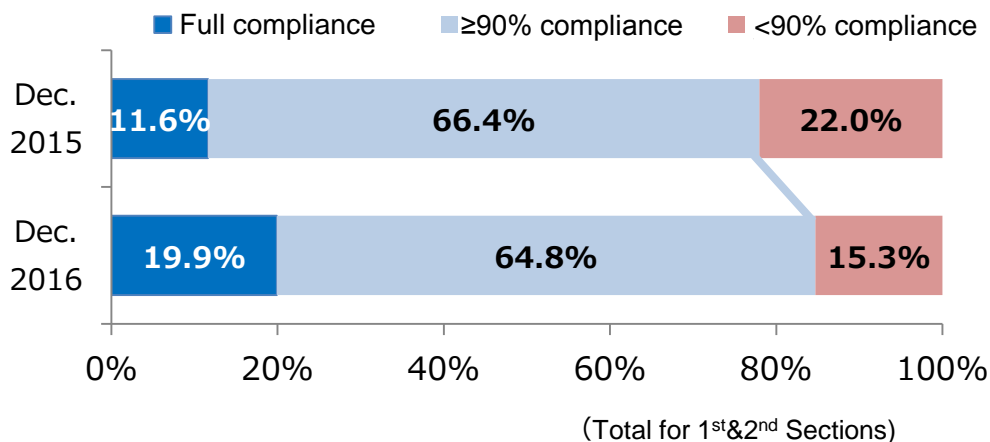
Location of head office	2013	2014	2015	2016	May 2017
No. of IPOs	58(+10)	80(+22)	98(+18)	86(-12)	33(+5)
Tokyo	32(+6)	54(+22)	67(+13)	55(-12)	24(+8)
Hokkaido/Tohoku	1	2	3	0	2
Kanto (excl. Tokyo)	6	5	5	7	1
Chubu/Hokuriku	5	6	7	7	3
Kansai	7	7	9	8	2
Chugoku/Shikoku	4	2	2	4	0
Kyushu/Okinawa	3	3	5	5	1
	26(+4)	26 * incl. 1 foreign company (±0)	31(+5)	31(±0)	9(-3)

* (): year-on-year

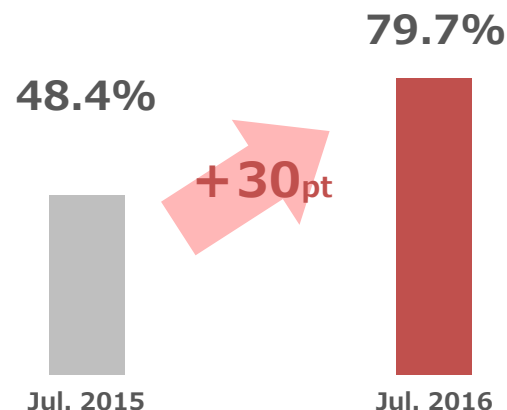
Raising Effectiveness of Corporate Governance

- About **80%** of companies responded as being in full or more than 90% compliance with principles of Japan's Corporate Governance Code.
- To raise CG effectiveness, **facilitated constructive dialogue between listed companies and investors.**

Response to Corporate Governance Code, etc.



Ratio of Companies Appointing 2 or More Independent Outside Directors

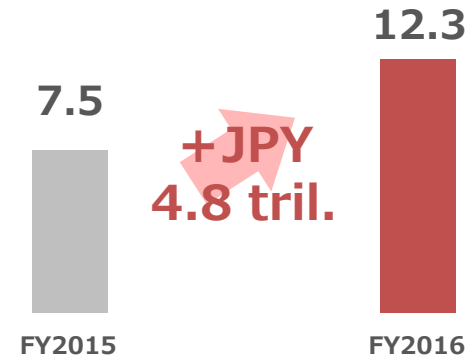


Efforts to Facilitate Dialogue

- Published "For Dialogue with Shareholders/Investors Concerning Capital Policy" on March 17, 2017. This report **explains investors' views on capital policy of listed companies and summarizes possible questions from investors**, focusing on the topic of an equity finance scheme called "Recap CB".
- White Paper on Corporate Governance shows how listed companies addressed Japan's Corporate Governance Code. **Responses to the code and examples of descriptions for disclosure** have been included in the 2017 edition, published on March 31, 2017.

Development of Index and Information Business

■ Increased AUM of ETFs tracking indices calculated by JPX/TSE



■ JPX-Nikkei Index 400 (From Jan. 2014)

- Revision to scoring based on qualitative factors (Independent outside directors)

Item	Current	Periodic review in and after Aug. 2017
Appointment of independent outside directors	At least 2	1/3 of the board or at least 3 directors (*In case the total number of board directors is three, the company is still required to appoint two independent outside directors.)

■ JPX-Nikkei Mid and Small Cap Index (From Mar. 13, 2017)

- 2 ETFs and 4 publicly offered investment trusts have been created (As of June 30, 2017).
- Continuing to facilitate creation of related financial products

■ Facilitate development of new indices

■ Expand custom index business

Supplementary Information



Overview of TSE Market

TSE's Cash Equity Markets

Stock Markets 3,558 companies

1st Section

For large-sized companies
2,015 Co, Market cap: approx. JPY 559 tril.



For companies
of various sectors
and growth stages

**JASDAQ
Standard**
712 Co

**JASDAQ
Growth**
42 Co

Market cap:
approx. JPY 9 tril.

Mothers

For emerging companies
237 Co,
Market cap:
approx. JPY 4 tril.

2nd Section

For medium-sized
companies
535 Co
Market cap:
approx. JPY 9 tril.

Available to both individual and professional investors

TOKYO PRO Market

Only available to professional investors

J-REIT

58 issues,
approx. JPY 12 tril.



ETF 206 issues

ETN 24 issues

Country Fund
1 issue

Venture Fund
1 issue

Infrastructure Funds
3 issues

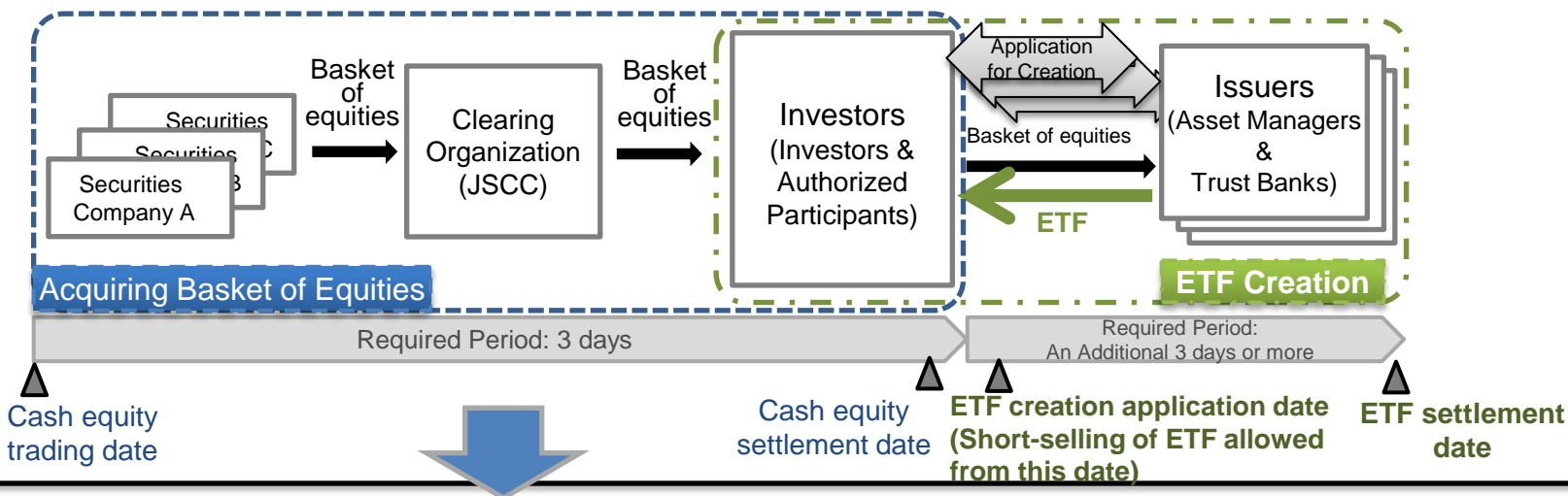
TOKYO PRO-BOND
Market

25 programs

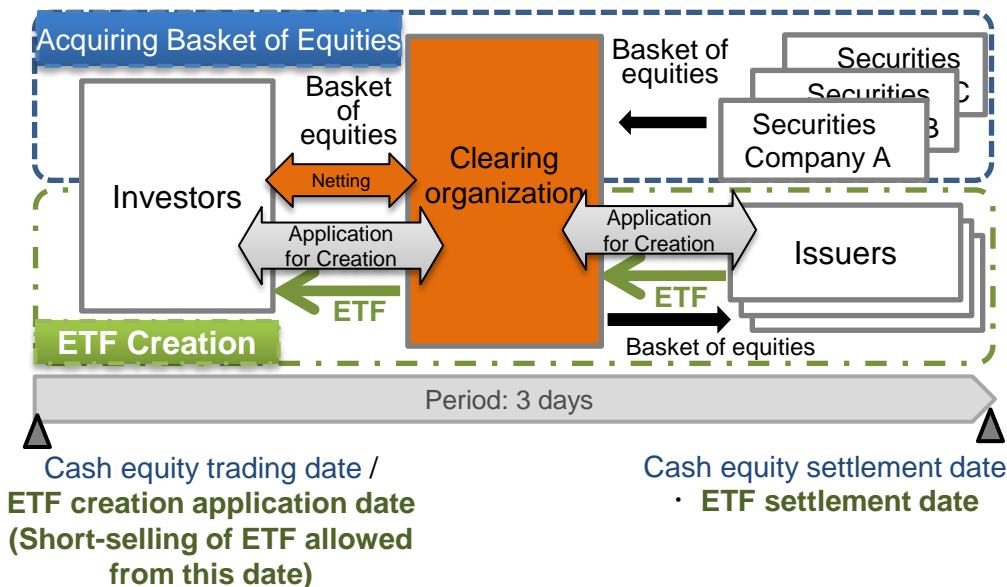
As of March 31, 2017

Diagram of Scheme to Solve ETF Creation Problems

[Current Situation in Japan]



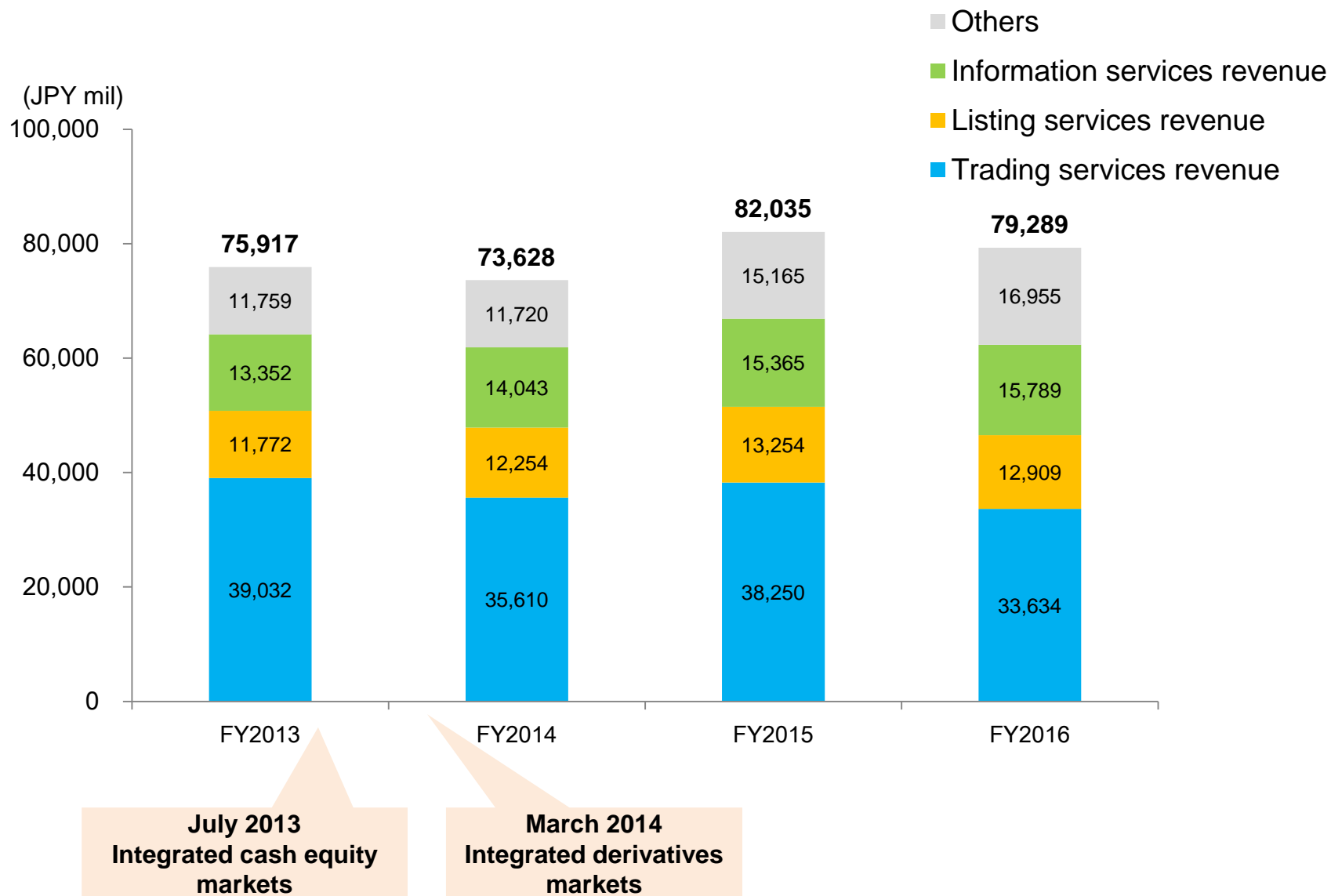
[After Introduction of US-type Scheme]



Standardize and simplify the process from application to settlement by utilizing "clearing organization" and "integrated platform"

- **Shortening the period from acquiring baskets of equities to receiving ETFs**
T+4-6 ⇒ T+3
- **Can avoid cash equities price fluctuation risk**
(Cash equities and ETFs can be traded at the same time.)

Changes in Revenues of TSE



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