

Japan Exchange Group, Inc. and Consolidated Subsidiaries
Consolidated financial results for the year ended March 31, 2015
(Based on IFRS), unaudited

| | | | |
|--|---|--------------------------|---|
| Company name: | Japan Exchange Group, Inc. | Stock Exchange Listings: | Tokyo |
| Code number: | 8697 | URL: | http://www.jpx.co.jp/english/ |
| Representative: | Atsushi Saito, Director & Representative Executive Officer, Group CEO | | |
| Contact: | Akira Tagaya, Director, Corporate Communications | | |
| Scheduled date of annual general shareholders meeting: | June 16, 2015 | | |
| Scheduled date of start of dividend payment: | May 26, 2015 | | |
| Scheduled date of filing of annual securities report: | June 9, 2015 | | |
| Preparation of earnings presentation material: | Yes | | |
| Holding of earnings announcement: | Yes (For institutional investors and analysts) | | |

1. Consolidated Financial Results for the Year ended March 31, 2015
(April 1, 2014 to March 31, 2015)

(Figures less than a million yen are omitted)

(1) Operating results

(Percentages represent year-on-year change)

| | Operating revenue | | Operating income | | Income before income tax | | Net income | | Net income attributable to owners of the parent company | | Comprehensive income | |
|---------------------------|-------------------|-------|------------------|-----|--------------------------|-----|-------------|-----|---|-----|----------------------|------|
| | million yen | % | million yen | % | million yen | % | million yen | % | million yen | % | million yen | % |
| Year ended March 31, 2015 | 106,167 | (6.7) | 53,529 | 0.3 | 54,887 | 0.2 | 34,716 | 3.5 | 34,427 | 3.4 | 41,152 | 20.4 |
| Year ended March 31, 2014 | 113,846 | — | 53,343 | — | 54,786 | — | 33,541 | — | 33,304 | — | 34,191 | — |

| | Earnings per share (Basic) | | Earnings per share (Diluted) | | Return on equity attributable to owners of the parent company | | Ratio of income before income tax to total assets | | Ratio of operating income to operating revenue | |
|---------------------------|----------------------------|--|------------------------------|--|---|--|---|--|--|--|
| | yen | | yen | | % | | % | | % | |
| Year ended March 31, 2015 | 125.41 | | — | | 15.6 | | 0.2 | | 50.4 | |
| Year ended March 31, 2014 | 121.31 | | — | | 17.1 | | 0.6 | | 46.9 | |

(Reference)

Share of income of investments accounted for using the equity method:

Year ended March 31, 2015: ¥516 million

Year ended March 31, 2014: ¥ 55 million

* Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, the earning per share (basic) for the year ended March 31, 2014 is calculated as if such stock split was implemented at the beginning of the consolidated accounting year.

(2) Financial position

| | Total assets | Total equity | Total equity attributable to owners of the parent company | Ratio of total equity attributable to owners of the parent company to total assets | Total equity attributable to owners of the parent company per share |
|----------------------|--------------|--------------|---|--|---|
| | million yen | million yen | million yen | % | yen |
| As of March 31, 2015 | 27,746,771 | 241,565 | 235,611 | 0.8 | 858.23 |
| As of March 31, 2014 | 17,479,946 | 212,777 | 207,101 | 1.2 | 754.38 |

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | million yen | million yen | million yen | million yen |
| Year ended March 31, 2015 | 37,346 | (5,563) | (22,364) | 60,114 |
| Year ended March 31, 2014 | 62,722 | 30,035 | (71,362) | 50,713 |

2. Dividends

| | Dividends per share | | | | | Total cash dividends | Dividend payout ratio | Ratio of dividends to total equity attributable to owners of the parent company |
|---------------------------------------|---------------------|----------------|---------------|-----------------|--------|----------------------|-----------------------|---|
| | First quarter | Second quarter | Third quarter | Fiscal year end | Annual | | | |
| | yen | yen | yen | yen | yen | million yen | % | % |
| Year ended March 31, 2014 | — | 80.00 | — | 27.00 | — | 11,804 | 35.4 | 6.1 |
| Year ended March 31, 2015 | — | 18.00 | — | 32.00 | 50.00 | 13,726 | 39.9 | 6.2 |
| Year ending March 31, 2016 (Forecast) | — | 36.00 | — | 37.00 | 73.00 | | 60.7 | |

* A 5-for-1 stock split was conducted with an effective date of October 1, 2013. Dividends for the second quarter of the year ended March 31, 2014 are actual amounts before said stock split.

* The amount of dividends for the year ended March 31, 2014 is calculated based on the net income of ¥29,835 million according to J-GAAP, and the dividend payout ratio based on such income (consolidated) is 39.6%.

3. Consolidated Earnings Forecast for the Year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Percentages represent year-on-year change)

| | Operating revenue | | Operating income | | Income before income tax | | Net income | | Net income attributable to owners of the parent company | Earnings per share (Basic) |
|----------------------------|-------------------|-------|------------------|-------|--------------------------|-------|-------------|-------|---|----------------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | million yen | yen |
| Year ending March 31, 2016 | 100,000 | (5.8) | 48,500 | (9.4) | 50,000 | (8.9) | 33,200 | (4.4) | 33,000 (4.1) | 120.20 |

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries that caused changes in the scope of consolidation): None

(2) Changes in accounting policies / changes in accounting estimates

1) Changes in accounting policies due to revisions in accounting standards under IFRS: None

2) Changes in accounting policies other than the above: None

3) Changes in accounting estimates: Yes

(3) Number of issued shares (common share)

1) Number of issued shares at the end of the period (including treasury shares):

As of March 31, 2015: 274,534,550 shares

As of March 31, 2014: 274,534,550 shares

2) Number of treasury shares at the end of period:

As of March 31, 2015: 2,655 shares

As of March 31, 2014: 2,655 shares

3) Average number of shares:

Year ended March 31, 2015: 274,531,895 shares

Year ended March 31, 2014: 274,533,089 shares

* Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, the average number of shares for the year ended March 31, 2014 is calculated as if such stock split was implemented at the beginning of the year.

(Reference) Overview of non-consolidated financial results

1. Non-Consolidated Financial Results for the Year ended March 31, 2015
(April 1, 2014 to March 31, 2015)

(1) Operating results

(Percentages indicate year-on-year change)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | |
|---------------------------|-------------------|--------|------------------|-------|-----------------|-------|-------------|-------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Year ended March 31, 2015 | 33,102 | 170.3 | 27,287 | 286.0 | 28,747 | 240.4 | 27,728 | 275.7 |
| Year ended March 31, 2014 | 12,248 | (34.3) | 7,068 | 26.0 | 8,444 | 32.8 | 7,380 | 102.9 |

| | Earnings per share (Basic) | Earnings per share (Diluted) |
|---------------------------|-------------------------------|---------------------------------|
| | yen | yen |
| Year ended March 31, 2015 | 101.00 | — |
| Year ended March 31, 2014 | 26.88 | — |

* Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, the earning per share (basic) for the year ended March 31, 2014 is calculated as if such stock split was implemented at the beginning of the non-consolidated accounting year.

(2) Financial position

| | Total assets | Total net assets | Ratio of shareholders' equity to total assets | Net assets per share |
|----------------------|--------------|------------------|---|----------------------|
| | million yen | million yen | % | yen |
| As of March 31, 2015 | 215,218 | 102,104 | 47.4 | 371.92 |
| As of March 31, 2014 | 165,956 | 81,221 | 48.9 | 295.86 |

(Reference)

Shareholders' equity:

As of March 31, 2015: ¥102,104 million

As of March 31, 2014: ¥81,221 million

*Note to financial position

"Clearing Business Financial Assets and Liabilities" and "Deposits from Clearing Participants" pertaining to clearing business conducted by consolidated subsidiary Japan Securities Clearing Corporation are included in assets and liabilities of the Group. Due to their sizable amounts, they have a large impact on the assets and liabilities of the Group. For the Group's financial position excluding "Clearing Business Financial Assets and Liabilities," "Deposits from Clearing Participants," etc., see "1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION - (2) Explanation on Financial Position" on Page 6 of the Appendix.

*Disclosure regarding the execution of the quarterly review process

This release is outside the scope of the external auditor's review procedure which is required by the "Financial Instruments and Exchange Act". Therefore, the review process has not been completed as of this disclosure in this release.

*Explanation on appropriate use of forecast and other special items

1) The Company adopted International Financial Reporting Standards (hereinafter "IFRS") in place of J-GAAP from the full-year consolidated financial results for the year ended March 31, 2015. As such, the consolidated figures for the previous fiscal year are indicated based on IFRS.

For differences between IFRS and J-GAAP, see "4. CONSOLIDATED FINANCIAL STATEMENTS - (6) Notes on Consolidated Financial Statements - (First-time Adoption of International Financial Reporting Standards)" on Page 18 of the Appendix.

2) This material contains earnings forecast and other forward-looking statements which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors may cause actual results, etc. to be materially different from those expressed in these forward-looking statements.

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(Appendix)

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1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

(1) Explanation on Operating Results

* The Company adopted International Financial Reporting Standards (hereinafter "IFRS") in place of J-GAAP from the full-year consolidated earnings results for the year ended March 31, 2015. Therefore, consolidated figures for the previous fiscal year and for comparisons are indicated based on IFRS.

For differences between IFRS and J-GAAP, see "4. CONSOLIDATED FINANCIAL STATEMENTS - (6) Notes on Consolidated Financial Statements - (First-time Adoption of International Financial Reporting Standards) on Page 18 of the Appendix."

In the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015), the Group posted operating revenue of ¥ 106,167 million (down 6.7%; year-on-year changes unless stated otherwise) due to factors such as decreases in cash equity trading value and derivatives trading volume compared with the previous year, however, operating expenses amounted to ¥52,863 million (down 10.8%) due mainly to a reduction in system-related cost from cash equity and derivatives system integrations in the previous fiscal year. As a result, the Group posted operating income of ¥53,529 million (up 0.3%) and income before income tax of ¥54,887 million (up 0.2%).

In addition, net income attributable to owners of the parent company after tax was ¥34,427 million (up 3.4%).

<Reference>

| | Year ended March 31, 2014 | | Year ended March 31, 2015 | |
|----------------|---------------------------------------|----------------------|--|----------------------|
| | | As of March 31, 2014 | | As of March 31, 2015 |
| TOPIX | 991.34 points ~ 1,306.23 points | 1,202.89 points | 1,132.76 points ~ 1,592.25 points | 1,543.11 points |
| Nikkei 225 | ¥12,003.43 ~¥16,291.31 | ¥14,827.83 | ¥13,910.16 ~¥19,754.36 | ¥19,206.99 |
| JPX Nikkei 400 | 9,060.52 points ~ 11,800.26 points | 10,893.94 points | 10,314.83 points ~ 14,475.35 points | 14,022.96 points |

(Operating revenue)

1) Trading services revenue

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

During the fiscal year ended March 31, 2015, trading services revenue decreased 10.1% year-on-year to ¥48,698 million due to a decrease in trading of cash equities and derivatives.

Breakdown of trading participant fees

(millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 | |
|--------------------------------------|------------------------------|------------------------------|------------|
| | | | Change (%) |
| Trading services revenue | 54,155 | 48,698 | (10.1) |
| Transaction fees | 45,347 | 40,221 | (11.3) |
| Cash equities | 32,058 | 28,705 | (10.5) |
| Derivatives | 13,288 | 11,515 | (13.3) |
| TOPIX futures | 1,952 | 1,816 | (7.0) |
| Nikkei 225 futures* | 4,795 | 4,382 | (8.6) |
| Nikkei 225 options | 4,661 | 3,374 | (27.6) |
| 10-year JGB futures | 1,625 | 1,679 | 3.4 |
| Others | 253 | 261 | 3.3 |
| Basic fees | 1,183 | 1,067 | (9.8) |
| Access fees | 4,980 | 4,730 | (5.0) |
| Trading system facilities Usage fees | 2,544 | 2,600 | 2.2 |
| Others | 101 | 79 | (21.2) |

*Figures include Nikkei 225 mini futures.

<Reference>

Equities trading value and derivatives trading volume or value (including auction and off-auction trading)

| | Daily average | | | Total | | |
|---|------------------------------|------------------------------|---------------|------------------------------|------------------------------|---------------|
| | Year ended March 31, 2014 | Year ended March 31, 2015 | Change (%) | Year ended March 31, 2014 | Year ended March 31, 2015 | Change (%) |
| | | | | | | |
| 【Cash equities】*1 TSE 1 st Section (¥millions) | 2,677,054 | 2,407,160 | (10.1) | 655,878,243 | 592,161,377 | (9.7) |
| TSE 2 nd Section (¥millions) | 21,618 | 33,614 | 55.5 | 5,296,453 | 8,269,153 | 56.1 |
| Mothers (¥millions) | 133,773 | 132,852 | (0.7) | 32,774,501 | 32,681,486 | (0.3) |
| JASDAQ (¥millions) | 114,666 | 90,500 | (21.1) | 28,093,170 | 22,263,088 | (20.8) |
| ETFs, ETNs, etc. (¥millions)*2 | 117,962 | 154,587 | 31.0 | 28,900,636 | 38,028,473 | 31.6 |
| REITs, etc. (¥millions)*3 | 33,693 | 37,697 | 11.9 | 8,254,713 | 9,273,536 | 12.3 |
| 【Derivatives】*1 TOPIX futures (contracts) | 94,297 | 84,785 | (10.1) | 23,102,699 | 20,857,097 | (9.7) |
| Nikkei 225 futures (contracts) | 124,567 | 104,037 | (16.5) | 30,519,035 | 25,593,103 | (16.1) |
| Nikkei 225 mini futures (contracts) | 940,514 | 825,281 | (12.3) | 230,425,970 | 203,019,042 | (11.9) |
| Nikkei 225 options (¥millions) | 39,959 | 27,848 | (30.3) | 9,789,980 | 6,850,730 | (30.0) |
| 10-year JGB futures (contracts) | 34,975 | 36,745 | 5.1 | 8,568,919 | 9,039,247 | 5.5 |

*1 Figures include trading values and trading volumes before cash market integration.

*2 Figures include country funds, etc.

*3 Figures include venture funds.

2) Clearing services revenue

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

During the fiscal year ended March 31, 2015, clearing services revenue decreased 1.2% year-on-year to ¥20,092 million due decreases in cash equity and derivatives trading volume, which are the main clearing product segments, despite the inclusion of full-year OTC JGB clearing revenue of former Japan Government Bond Clearing Corporation, which was merged in October 2013, and an increase in revenue from interest rate swap clearing.

3) 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.

During the fiscal year ended March 31, 2015, listing services revenue decreased 0.5% year-on-year to ¥12,249 million due to a decrease in amount of financing by listed companies.

Breakdown of listing fees

| | Year ended March 31, 2014 | (millions of yen) | |
|---------------------------------|------------------------------|------------------------------|------------|
| | | Year ended March 31, 2015 | Change (%) |
| Listing fees | 12,308 | 12,249 | (0.5) |
| Initial/Additional listing fees | 5,287 | 4,762 | (9.9) |
| Annual listing fees | 7,020 | 7,486 | 6.6 |

<Reference>

Number of listed companies, ETFs, ETNs, and REITs

| | New listed companies | | | Total listed companies | | |
|---|------------------------------|------------------------------|--------|-------------------------|-------------------------|--------|
| | Year ended March 31, 2014 | Year ended March 31, 2015 | | As of March 31, 2014 | As of March 31, 2015 | |
| | | | Change | | | Change |
| TSE 1 st and 2 nd Sections | 27 | 29 | 2 | 2,355 | 2,421 | 66 |
| Technical listings | 11 | 6 | (5) | | | |
| Mothers | 31 | 57 | 26 | 195 | 213 | 18 |
| Technical listings | 2 | 0 | (2) | | | |
| JASDAQ | 14 | 13 | (1) | 863 | 834 | (29) |
| Technical listings | 1 | 2 | 1 | | | |
| Total | 72 | 99 | 27 | 3,413 | 3,468 | 55 |
| Technical listings | 14 | 8 | (6) | | | |

(Note 1) The number of new listed companies excludes those listed via the TSE or OSE market before cash market integration. The number of total listed companies excludes companies cross-listed on the TSE or OSE market before cash market integration.

(Note 2) The number of new listed companies and total listed companies on the TSE 1st and 2nd Sections include those on the OSE 1st and 2nd Sections before cash market integration.

(Note 3) Technical listings refer to new listings of companies that were established due to mergers and stock transfers, etc.

(Issue)

| | New listed issues | | | Total listed issues | | |
|--------------------|------------------------------|------------------------------|--------|-------------------------|-------------------------|--------|
| | Year ended March 31, 2014 | Year ended March 31, 2015 | Change | As of March 31, 2014 | As of March 31, 2015 | Change |
| | | | | | | |
| ETFs | 20 | 25 | 5 | 155 | 180 | 25 |
| ETNs | 9 | 6 | (3) | 23 | 29 | 6 |
| REITs | 5 | 7 | 2 | 44 | 51 | 7 |
| Technical listings | 0 | 0 | 0 | | | |

(Note 1) The number includes those of new and existing listed issues on the OSE markets before cash market integration.

(Note 2) Technical listings refer to new listings of issues that were established due to mergers and stock transfers, etc.

Fund raising by listed companies

(millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 | Change (%) |
|-------------------------------|------------------------------|------------------------------|------------|
| | | | |
| Financing by listed companies | 1,966,242 | 1,341,630 | (31.8) |

(Note) Total amount of funds- raised via shareholder allotments, public offerings (including initial public offerings), and third-party allotments.

4) Information services revenue

Information services revenue is comprised of income related to the provision of corporate action information and various other information, primarily consisting of fees for market information provided to information vendors (market information fees), and also income related to the index business.

During the fiscal year ended March 31, 2015, information services revenue increased 1.2% year-on-year to ¥16,311 million due to an increase in licensing revenues related to new JPX-Nikkei 400 index business.

5) Other operating revenue

Other operating revenue consists of "Network line usage fees," "Co-location usage fees," "Proximity usage fees," and fees for system development and operations provided by TOSHO SYSTEM SERVICE CO., LTD. "Network line usage fees" are related to networks that connect trading systems, market information systems, etc. to trading participants and users. "Co-location Usage Fees" are those for services that allow trading participants to place their devices, etc. within the system center for the purpose of accelerating trade execution, etc. "Proximity Usage Fees" are those for proximity services that offers diverse connectivity options to domestic and foreign markets, and are provided to trading participants and other market users, such as information vendors.

During the fiscal year ended March 31, 2015, other operating revenue decreased 19.4% year-on-year to ¥8,815 million, a significant decline from the previous year in which fees for system development and operations in connection with a large-scale system development project was included.

Breakdown of other operating revenue

(millions of yen)

| | Year ended March 31, 2014 | Year ended March 31, 2015 | Change (%) |
|--|------------------------------|------------------------------|------------|
| | | | |
| Other operating revenue | 10,931 | 8,815 | (19.4) |
| Network line usage fees | 3,389 | 2,550 | (24.8) |
| Co-location Usage Fees, Proximity Usage Fees | 2,566 | 2,876 | 12.1 |
| Other | 4,974 | 3,387 | (31.9) |

(Operating expenses)

During the fiscal year ended March 31, 2015, personnel expenses increased 1.1% year-on-year to ¥15,265 million.

System maintenance and operation expenses decreased 14.6% year-on-year to ¥9,947 million and depreciation and amortization decreased 19.5% year-on-year to ¥10,803 million due to the cash equities and derivatives systems integrations in the previous year.

During the fiscal year ended March 31, 2015, rent expenses on real estates increased 1.0% year-on-year to ¥5,959 million.

During the fiscal year ended March 31, 2015, other operating expenses decreased 17.4% year-on-year to ¥10,888 million, a significant decline from the previous year, in which costs in connection with a large-scale system development project was included.

(2) Explanation on Financial Position

(Assets, liabilities and equity)

For assets and liabilities of the Group, "clearing business financial assets and liabilities" assumed by consolidated subsidiary Japan Securities Clearing Corporation as a clearing organization and "deposits from clearing participants" deposited by clearing participants as collateral are included under both assets and liabilities. "Clearing business financial assets and liabilities" and "deposits from clearing participants" have a large impact on the amount of assets and liabilities of the Group due to their sizable amounts and daily fluctuations subject to changes in clearing participants' positions. In addition, "legal guarantee funds," "trading participant security money," and "default compensation reserve funds" based on the rules for securing safety of financial instruments transactions are included under assets and liabilities.

Total assets as of March 31, 2015 increased ¥10,266,824 million from the end of the previous fiscal year to ¥27,746,771 million as a result of an increase in clearing business financial assets due to an increase in trading. Excluding clearing business financial assets, specified assets for deposits from clearing participants, specified assets for legal guarantee funds, and specified assets for default compensation reserve funds, assets increased ¥14,835 million from the end of the previous fiscal year to ¥288,149 million due mainly to an increase in other financial assets from changes in the stock price of Singapore Exchange.

Total liabilities as of March 31, 2015 increased ¥10,238,037 million from the end of the previous fiscal year to ¥27,505,206 million as a result of an increase in clearing business financial liabilities. Excluding clearing business financial liabilities, deposits from clearing participants, legal guarantee funds, and trading participant security money, liabilities decreased ¥16,606 million from the end of the previous fiscal year to ¥67,094 million mainly due to the repayment of loans.

Total equity as of March 31, 2015 increased ¥28,787 million from the end of the previous fiscal year to ¥241,565 million due mainly to an increase in retained earnings in connection with recording of net income attributable to owners of the parent company.

In addition, after excluding default compensation reserve funds, equity was ¥213,617 million.

<Reference>

| | Total assets | Total equity | Total equity attributable to owners of the parent company | Ratio of total equity attributable to owners of the parent company to total assets |
|----------------------|---------------------------|------------------------|---|--|
| As of March 31, 2015 | million yen 27,746,771 | million yen 241,565 | million yen 235,611 | % 0.8 |
| | *288,149 | *213,617 | *207,663 | *72.1 |
| As of March 31, 2014 | 17,479,946 | 212,777 | 207,101 | 1.2 |
| | *273,314 | *184,829 | *179,153 | *65.5 |

| | Return on equity attributable to owners of the parent company | Ratio of income before income tax to total assets | Total equity attributable to owners of the parent company per share |
|----------------------|---|---|---|
| As of March 31, 2015 | % 15.6 | % 0.2 | % 858.23 |
| | *17.8 | *19.6 | *756.43 |
| As of March 31, 2014 | 17.1 | 0.6 | 754.38 |
| | *20.0 | *19.4 | *652.58 |

(Notes)

Figures marked “*” under “Total assets” exclude “clearing business financial assets”, “deposits from clearing participants”, “legal guarantee funds”, and “default compensation reserve funds”, “Total equity” and “Total equity attributable to owners of the parent company” exclude “default compensation reserve funds”.

(Cash flow)

During the fiscal year ended March 31, 2015, cash and cash equivalents at the end of the year increased ¥9,401 million from the end of the previous fiscal year to ¥60,114 million.

1) Cash flows from operating activities

There was cash inflow of ¥37,346 million from operating activities mainly as a result of adding ¥11,365 million in depreciation and amortization and ¥31,015 million in income taxes paid to ¥54,887 million in income before income tax.

2) Cash flows from investing activities

There was cash outflow of ¥5,563 million from investment activities mainly due to the acquisition of intangible assets with arrowhead system development.

3) Cash flows from financing activities

There was cash outflow of ¥22,364 million from financing activities mainly due to repayments of loans payable and dividends paid.

<Reference> Cash flow-related indicators

| | Year ended March 31, 2014 | Year ended March 31, 2015 |
|--|------------------------------|------------------------------|
| Ratio of total equity attributable to owners of the parent company to total assets | 1.2% | 0.8% |
| | *65.5% | *72.1% |
| Ratio of interest-bearing debt to cash flow | 67.8% | 87.0% |
| Interest coverage ratio | 763.7 | 882.3 |

Ratio of total equity attributable to owners of the parent company to total assets: Total equity attributable to owners of the parent company / Total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flows from operating activities

Interest coverage ratio: cash flows from operating activities / interest payment

* “Ratio of total equity attributable to owners of the parent company to total assets” are calculated excluding “clearing business financial assets”, “deposits from clearing participants”, “legal guarantee funds”, “default compensation reserve funds” from total assets, and excluding “default compensation reserve funds” from “total equity attributable to owners of the parent company”.

(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.

(i) Consolidated Earnings Forecast

The consolidated earnings forecast for the year ending March 31, 2016 is based on the assumptions that the average daily trading values and volumes are ¥2.4 trillion for stocks*, 44,000 contracts for 10-year JGB futures, 100,000 contracts for TOPIX futures, 221,000 contracts for Nikkei 225 futures (including mini contract trading volume converted to large-sized contracts), and ¥33.5 billion for Nikkei 225 options (excluding weekly options). Based on the assumptions, ¥100.0 billion in operating revenue, ¥48.5 billion in operating income, ¥50.0 billion in net income before income tax, ¥33.2 billion in net income and ¥33.0 billion in net income attributable to owners of the parent are expected.

(*) The trading value of stocks listed on the TSE 1st and 2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, ETFs, ETNs, and REITs (including auction and off-auction trading).

(ii) Dividends Forecast

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 the group to pursue investment opportunities to raise the competitiveness of its markets as they arise.

In line with the abovementioned policy, the dividends for the fiscal year ending March 31, 2016 is planned to be 73 yen per share (36 yen per share as of the end of the second quarter).

2. MANAGEMENT POLICIES

Please refer to the “Medium-Term Management Plan for FY2013 to FY2015” published on April 28, 2015.

3. BASIC RATIONALE TO THE SELECTION OF ACCOUNTING STANDARDS

From the perspective of facilitating comparisons of consolidated financial results of the company with other exchanges located overseas and increasing investor convenience, the Company was voluntarily adopting IFRS to its disclosure material.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statement of Financial Position

| | Date of transition to IFRS As of April 1, 2013 | As of March 31, 2014 | As of March 31, 2015 |
|--|--|----------------------|----------------------|
| | Millions of yen | Millions of yen | Millions of yen |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 29,308 | 50,713 | 60,114 |
| Trade and other receivables | 11,188 | 9,080 | 10,300 |
| Clearing business financial assets | 587,508 | 16,049,798 | 25,635,085 |
| Specified assets for deposits from clearing participants | 961,304 | 1,128,362 | 1,795,095 |
| Specified assets for legal guarantee funds | 600 | 522 | 492 |
| Income tax receivables | 359 | 1,411 | 4,693 |
| Other financial assets | 91,501 | 53,903 | 42,869 |
| Other current assets | 1,538 | 1,282 | 1,844 |
| Total current assets | 1,683,308 | 17,295,075 | 27,550,495 |
| Non-current assets | | | |
| Property and equipment | 8,673 | 7,066 | 8,573 |
| Goodwill | 67,374 | 67,374 | 67,374 |
| Intangible assets | 23,370 | 23,878 | 27,631 |
| Retirement benefit assets | 1,728 | 3,730 | 5,424 |
| Investments accounted for using the equity method | 8,318 | 6,443 | 6,806 |
| Specified assets for default compensation reserve funds | 27,948 | 27,948 | 27,948 |
| Other financial assets | 34,166 | 32,968 | 39,682 |
| Other non-current assets | 5,868 | 5,693 | 5,605 |
| Deferred tax assets | 9,243 | 9,767 | 7,230 |
| Total non-current assets | 186,691 | 184,871 | 196,276 |
| Total assets | 1,870,000 | 17,479,946 | 27,746,771 |

| | Date of transition to IFRS As of April 1, 2013 | As of March 31, 2014 | As of March 31, 2015 |
|---|--|----------------------|----------------------|
| | Millions of yen | Millions of yen | Millions of yen |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 4,551 | 5,431 | 4,712 |
| Loans payable | 105,069 | 32,500 | 32,500 |
| Clearing business financial liabilities | 587,508 | 16,049,798 | 25,635,085 |
| Deposits from clearing participants | 961,304 | 1,128,362 | 1,795,095 |
| Legal guarantee funds | 600 | 522 | 492 |
| Trading participant security money | 3,169 | 4,783 | 7,437 |
| Income tax payables | 6,312 | 17,600 | 7,852 |
| Other current liabilities | 3,992 | 5,506 | 5,626 |
| Total current liabilities | 1,672,509 | 17,244,506 | 27,488,802 |
| Non-current liabilities | | | |
| Loans payable | — | 10,000 | — |
| Retirement benefit liabilities | 6,888 | 6,717 | 7,039 |
| Other non-current liabilities | 922 | 983 | 2,488 |
| Deferred tax liabilities | 5,193 | 4,961 | 6,875 |
| Total non-current liabilities | 13,004 | 22,662 | 16,403 |
| Total liabilities | 1,685,514 | 17,267,169 | 27,505,206 |
| Equity | | | |
| Share capital | 11,500 | 11,500 | 11,500 |
| Capital surplus | 59,726 | 59,726 | 59,726 |
| Treasury shares | — | (5) | (5) |
| Other components of equity | 9,732 | 9,225 | 14,828 |
| Retained earnings | 100,978 | 126,655 | 149,562 |
| Total equity attributable to owners of the parent company | 181,937 | 207,101 | 235,611 |
| Non-controlling interests | 2,548 | 5,675 | 5,954 |
| Total equity | 184,485 | 212,777 | 241,565 |
| Total liabilities and equity | 1,870,000 | 17,479,946 | 27,746,771 |

(2) Consolidated Statement of Income

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| | Millions of yen | Millions of yen |
| Revenue | | |
| Operating revenue | 113,846 | 106,167 |
| Other revenue | 206 | 318 |
| Total revenue | 114,052 | 106,486 |
| Expenses | | |
| Operating expenses | 59,244 | 52,863 |
| Other expenses | 1,520 | 610 |
| Total expenses | 60,764 | 53,473 |
| Share of income of investments accounted for using the equity method | 55 | 516 |
| Operating income | 53,343 | 53,529 |
| Financial income | 1,524 | 1,400 |
| Financial expenses | 81 | 41 |
| Income before income tax | 54,786 | 54,887 |
| Income tax expense | 21,244 | 20,171 |
| Net income | 33,541 | 34,716 |
| Net income attributable to | | |
| Owners of the parent company | 33,304 | 34,427 |
| Non-controlling interests | 236 | 288 |
| Net income | 33,541 | 34,716 |
| Earnings per share | | |
| Basic (Yen) | 121.31 | 125.41 |
| Diluted (Yen) | — | — |

(3) Consolidated Statement of Comprehensive Income

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| | Millions of yen | Millions of yen |
| Net income | 33,541 | 34,716 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | (506) | 5,631 |
| Remeasurements of defined benefit plan | 1,157 | 803 |
| Share of other comprehensive income of investments accounted for using the equity method | 0 | (0) |
| Other comprehensive income, net of tax | 650 | 6,435 |
| Comprehensive income | 34,191 | 41,152 |
| Comprehensive income attributable to | | |
| Owners of the parent company | 33,954 | 40,863 |
| Non-controlling interests | 236 | 288 |
| Comprehensive income | 34,191 | 41,152 |

(4) Consolidated Statement of Changes in Equity

| 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 |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of April 1, 2013 | 11,500 | 59,726 | — | 9,732 | — |
| Net income | — | — | — | — | — |
| Other comprehensive income, net of tax | — | — | — | (506) | 1,157 |
| Total comprehensive income | — | — | — | (506) | 1,157 |
| Acquisitions of treasury shares | — | — | (5) | — | — |
| Dividends paid | — | — | — | — | — |
| Changes of interests in subsidiaries without losing control | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | — | — | (1,157) |
| Total transactions with the owners | — | — | (5) | — | (1,157) |
| Balance as of March 31, 2014 | 11,500 | 59,726 | (5) | 9,225 | — |
| Net income | — | — | — | — | — |
| Other comprehensive income, net of tax | — | — | — | 5,631 | 803 |
| Total comprehensive income | — | — | — | 5,631 | 803 |
| Dividends paid | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | — | (29) | (803) |
| Total transactions with the owners | — | — | — | (29) | (803) |
| Balance as of March 31, 2015 | 11,500 | 59,726 | (5) | 14,828 | — |

| | Equity attributable to owners of the parent company | | | Non- controlling interests | Total equity |
|--|--|----------------------|--------------------|----------------------------------|--------------------|
| | Other components of equity | Retained earnings | Total | | |
| | Total | | | | |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of April 1, 2013 | 9,732 | 100,978 | 181,937 | 2,548 | 184,485 |
| Net income | – | 33,304 | 33,304 | 236 | 33,541 |
| Other comprehensive income, net of tax | 650 | – | 650 | – | 650 |
| Total comprehensive income | 650 | 33,304 | 33,954 | 236 | 34,191 |
| Acquisitions of treasury shares | – | – | (5) | – | (5) |
| Dividends paid | – | (8,785) | (8,785) | (2) | (8,787) |
| Changes of interests in subsidiaries without losing control | – | – | – | 2,892 | 2,892 |
| Transfer from other components of equity to retained earnings | (1,157) | 1,157 | – | – | – |
| Total transactions with the owners | (1,157) | (7,627) | (8,790) | 2,890 | (5,899) |
| Balance as of March 31, 2014 | 9,225 | 126,655 | 207,101 | 5,675 | 212,777 |
| Net income | – | 34,427 | 34,427 | 288 | 34,716 |
| Other comprehensive income, net of tax | 6,435 | – | 6,435 | – | 6,435 |
| Total comprehensive income | 6,435 | 34,427 | 40,863 | 288 | 41,152 |
| Dividends paid | – | (12,353) | (12,353) | (10) | (12,364) |
| Transfer from other components of equity to retained earnings | (832) | 832 | – | – | – |
| Total transactions with the owners | (832) | (11,521) | (12,353) | (10) | (12,364) |
| Balance as of March 31, 2015 | 14,828 | 149,562 | 235,611 | 5,954 | 241,565 |

(5) Consolidated Statement of Cash Flows

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| | Millions of yen | Millions of yen |
| Cash flows from operating activities | | |
| Income before income tax | 54,786 | 54,887 |
| Depreciation and amortization | 13,792 | 11,365 |
| Impairment losses (or reversal of impairment losses) | 1,203 | 301 |
| Financial income | (1,524) | (1,400) |
| Financial expenses | 81 | 41 |
| Share of income of investments accounted for using the equity method | (55) | (516) |
| (Increase) decrease in trade and other receivables | 2,224 | (1,219) |
| Increase (decrease) in trade and other payables | (297) | (327) |
| (Increase) decrease in retirement benefit assets | (2,002) | (1,694) |
| Increase (decrease) in retirement benefit liabilities | (170) | 321 |
| Other | 4,504 | 5,080 |
| Subtotal | 72,544 | 66,840 |
| Interest and dividends received | 1,802 | 1,563 |
| Interest paid | (82) | (42) |
| Income taxes paid | (11,542) | (31,015) |
| Cash flows generated from operating activities | 62,722 | 37,346 |
| Cash flows from investing activities | | |
| Payments into time deposits | (65,700) | (65,100) |
| Proceeds from withdrawal of time deposits | 104,100 | 76,100 |
| Purchase of property and equipment | (1,808) | (3,623) |
| Purchase of intangible assets | (9,825) | (13,232) |
| Net cash increase from acquisition of subsidiaries | 3,592 | — |
| Other | (322) | 292 |
| Cash flows generated from (used in) investing activities | 30,035 | (5,563) |
| Cash flows from financing activities | | |
| Proceeds from loans payable | 42,500 | — |
| Repayments of loans payable | (105,069) | (10,000) |
| Dividends paid | (8,785) | (12,353) |
| Other | (7) | (10) |
| Cash flows used in financing activities | (71,362) | (22,364) |
| Net increase (decrease) in cash and cash equivalents | 21,395 | 9,418 |
| Cash and cash equivalents at the beginning of the year | 29,308 | 50,713 |
| Effect of changes in exchange rate on cash and cash equivalents | 8 | (17) |
| Cash and cash equivalents at the end of the year | 50,713 | 60,114 |

(6) Notes on Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Changes in accounting estimates)

During the fiscal year ended March 31, 2015, Tokyo Stock Exchange, Inc., a subsidiary, conducted a review of the useful life of the non-current assets whose period of use became shorter due to the decision to implement the new system.

Due to this review, operating income and income before income tax for the fiscal year ended March 31, 2015 decreased by ¥126 million respectively in comparison with those calculated by the previous method.

(Operating Revenue)

The breakdown of “Operating revenue” is as follows:

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|------------------------------|-------------------------------------|-------------------------------------|
| | Millions of yen | Millions of yen |
| Trading services revenue | 54,155 | 48,698 |
| Clearing services revenue | 20,334 | 20,092 |
| Listing services revenue | 12,308 | 12,249 |
| Information services revenue | 16,116 | 16,311 |
| Other | 10,931 | 8,815 |
| Total | 113,846 | 106,167 |

(Operating Expenses)

The breakdown of “Operating expenses” is as follows:

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| | Millions of yen | Millions of yen |
| Personnel expenses | 15,101 | 15,265 |
| System maintenance and operation expenses | 11,642 | 9,947 |
| Depreciation and amortization | 13,413 | 10,803 |
| Rent expenses on real estates | 5,900 | 5,959 |
| Other | 13,185 | 10,888 |
| Total | 59,244 | 52,863 |

(Segment Information, etc.)

It has been omitted due to single segment of the market operations in the Group.

(Earnings per Share)

Basic earnings per share for the fiscal year ended March 31, 2015 was calculated based on the net income attributable to owners of the parent company of ¥34,427 million (fiscal year ended March 31, 2014: ¥33,304 million) and the weighted-average number of ordinary shares outstanding of 274,531 thousand shares (fiscal year ended March 31, 2014: 274,533 thousand shares). Diluted earnings per share are not presented because there were no potential shares.

Since a 5-for-1 stock split was conducted with an effective date of October 1, 2013, basic earnings per share was calculated based on the number of shares that were adjusted retrospectively on the basis of the number of shares after the stock split.

(Significant Subsequent Events)

Not applicable

(First-time Adoption of International Financial Reporting Standards)

The Group discloses the consolidated financial statements under IFRS for the first time for the fiscal year ended March 31, 2015. The most recent consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”) are those for the fiscal year ended March 31, 2014. The date of transition to IFRS is April 1, 2013.

Exemption Prescribed in IFRS 1

IFRS requires first-time adopters, in principle, to retrospectively adopt standards required under IFRS. However, for some of the standards required under IFRS, IFRS 1 specifies standards for which the exemption is applied mandatorily and those for which the exemption is applied voluntarily. The effect of the application of these exemptions was adjusted in retained earnings as of the date of transition to IFRS. The items of exemption adopted by the Group in transitioning from Japanese GAAP to IFRS are as follows:

Business Combination

The Group chose not to apply IFRS 3 retrospectively to business combinations carried out before the transition date. Consequently, for goodwill arising from business combinations conducted before the transition date, the amount as of the transition date is the carrying amount under Japanese GAAP as of that date. In addition, an impairment test with regard to goodwill was conducted as of the transition date, regardless of any indication of impairment.

Early Adoption of IFRS 9 (2010)

The Group has early adopted IFRS 9 (2010). The Group assessed business models based on facts and circumstances that existed as of the transition date and determined cash flow requirements in consideration of such as contractual provisions at initial recognition.

Reconciliations that are required to be disclosed under the first-time adoption of IFRS are as follows:

Reconciliation of equity as of April 1, 2013 (the date of transition to IFRS)

(Millions of yen)

| Accounts under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRS | Notes | Accounts under IFRS |
|---|---------------|------------------|--|-----------|--------|--|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 120,808 | (91,500) | – | 29,308 | (8) | Cash and cash equivalents |
| Operating accounts receivable | 8,716 | 4 | 2,467 | 11,188 | (1)(8) | Trade and other receivables |
| Work in process | 2,467 | – | (2,467) | – | (1) | |
| Deferred tax assets | 1,282 | (1,282) | – | – | (8) | |
| | – | – | 587,508 | 587,508 | (6) | Clearing business financial assets |
| | – | 960,288 | 1,015 | 961,304 | (6)(8) | Specified assets for deposits from clearing participants |
| Margin funds for derivatives, etc. and when-issued transactions | 789,201 | (789,201) | – | – | (8) | |
| Deposits for clearing funds | 161,086 | (161,086) | – | – | (8) | |
| Deposits as collateral for facilitating settlement | 10,000 | (10,000) | – | – | (8) | |
| | – | 600 | – | 600 | (8) | Specified assets for legal guarantee funds |
| | – | 359 | – | 359 | (8) | Income tax receivables |
| | – | 91,501 | – | 91,501 | (8) | Other financial assets |
| Other | 1,912 | (374) | – | 1,538 | (8) | Other current assets |
| Allowance for doubtful accounts | (9) | 9 | – | – | (8) | |
| Total current assets | 1,095,466 | (682) | 588,524 | 1,683,308 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| Property, plant and equipment | 8,673 | – | – | 8,673 | | Property and equipment |
| Goodwill | 67,374 | – | – | 67,374 | | Goodwill |
| Other intangible assets | 23,370 | – | – | 23,370 | | Intangible assets |
| | – | 8,318 | – | 8,318 | (8) | Investments accounted for using the equity method |
| Investment securities | 41,304 | (41,304) | – | – | (8) | |
| Long-term loans receivable | 37 | (37) | – | – | (8) | |
| Deferred tax assets | 2,682 | 1,282 | 5,278 | 9,243 | (3)(8) | Deferred tax assets |
| | – | 2,917 | (1,189) | 1,728 | (5)(8) | Retirement benefit assets |
| Legal guarantee funds | 600 | (600) | – | – | (8) | |
| Special assets for default compensation reserve funds | 27,948 | – | – | 27,948 | | Specified assets for default compensation reserve funds |
| | – | 33,166 | 1,000 | 34,166 | (2)(8) | Other financial assets |
| Other investments | 9,105 | (3,237) | – | 5,868 | (8) | Other non-current assets |
| Allowance for doubtful accounts | (177) | 177 | – | – | (8) | |
| Total non-current assets | 180,919 | 682 | 5,089 | 186,691 | | Total non-current assets |
| Total assets | 1,276,386 | – | 593,613 | 1,870,000 | | Total assets |

(Millions of yen)

| Accounts under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRS | Notes | Accounts under IFRS |
|--|---------------|------------------|--|-----------|--------|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Operating accounts payable | 3,221 | 1,330 | — | 4,551 | (8) | Trade and other payables |
| Short-term loans payable | 18,670 | 86,399 | — | 105,069 | (8) | Loans payable |
| Current portion of long-term loans payable | 86,399 | (86,399) | — | — | (8) | |
| Income taxes payable | 6,312 | — | — | 6,312 | | Income tax payables |
| Provision for bonuses | 1,223 | (1,223) | — | — | (8) | |
| Provision for directors' bonuses | 252 | (252) | — | — | (8) | |
| | — | — | 587,508 | 587,508 | (6) | Clearing business financial liabilities |
| | — | 960,288 | 1,015 | 961,304 | (6)(8) | Deposits from clearing participants |
| Margin funds received for derivatives, etc. and when-issued transactions | 789,201 | (789,201) | — | — | (8) | |
| Deposits received for clearing funds | 161,086 | (161,086) | — | — | (8) | |
| Deposits received as collateral for facilitating settlement | 10,000 | (10,000) | — | — | (8) | |
| | — | 600 | — | 600 | (8) | Legal guarantee funds |
| Deposits received as trading participant security money | 3,169 | — | — | 3,169 | | Trading participant security money |
| Other | 3,620 | 145 | 227 | 3,992 | (4)(8) | Other current liabilities |
| Total current liabilities | 1,083,157 | 600 | 588,751 | 1,672,509 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| Deferred tax liabilities | 5,047 | — | 146 | 5,193 | | Deferred tax liabilities |
| | — | 7,580 | (692) | 6,888 | (5)(8) | Retirement benefit liabilities |
| Provision for retirement benefits | 7,580 | (7,580) | — | — | (8) | |
| Returnable legal guarantee funds | 600 | (600) | — | — | (8) | |
| Other | 922 | — | — | 922 | | Other non-current liabilities |
| Total non-current liabilities | 14,151 | (600) | (546) | 13,004 | | Total non-current liabilities |
| Total liabilities | 1,097,308 | — | 588,205 | 1,685,514 | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 11,500 | — | — | 11,500 | | Share capital |
| Capital surplus | 59,726 | — | — | 59,726 | | Capital surplus |
| Retained earnings | 96,213 | — | 4,764 | 100,978 | (7) | Retained earnings |
| | — | 9,088 | 643 | 9,732 | (8) | Other components of equity |
| Total accumulated other comprehensive income | 9,088 | (9,088) | — | — | (8) | |
| | | | | 181,937 | (8) | Total equity attributable to owners of the parent company |
| Minority interests | 2,548 | — | — | 2,548 | | Non-controlling interests |
| Total net assets | 179,077 | — | 5,408 | 184,485 | | Total equity |
| Total liabilities and net assets | 1,276,386 | — | 593,613 | 1,870,000 | | Total liabilities and equity |

Notes on Reconciliation (April 1, 2013)

(1) Adjustment to Work in Process

With regard to fees for system development, the Group adopted the completed contract method under Japanese GAAP. However, under IFRS, the Group has adopted the cost recovery method and recognizes the costs as expenses when incurred.

(2) Adjustment to Financial Instruments

Listed equity instruments held by the Group were converted at the average market price and exchange rate for one month before the end of the fiscal year under Japanese GAAP. However, such instruments are converted at the market price and exchange rate at the end of fiscal year under IFRS.

Unlisted equity instruments were measured at cost in principle under Japanese GAAP. However, such instruments are measured at fair value in principle under IFRS.

(3) Adjustment to Deferred Tax Assets

Under Japanese GAAP, deferred tax assets are recognized based on the classification of companies specified in the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66, "Audit Treatment on Determining the Recoverability of Deferred Tax Assets." Under IFRS, deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that the management determined it is probable that future taxable income will be available against which the deductible temporary difference can be utilized.

(4) Adjustment to Unused Paid Absences

The Group recognizes unused paid absences, for which accounting treatment is not required under Japanese GAAP, as liabilities under IFRS and adjustments are made to retained earnings.

(5) Adjustment to Defined Benefit Plans

With regard to actuarial gains or losses under Japanese GAAP, the Group amortized them from the fiscal year following the year in which they incurred, using the straight-line method over a certain number of years determined based on the employees' average remaining service periods. However, under IFRS, the Group fully recognizes remeasurements of the net defined benefit liabilities (assets) when incurred in other comprehensive income and immediately transfers them to retained earnings. Retirement benefit obligations are recalculated in accordance with IFRS. Adjustments for the gain or loss that incurred due to the periodic allocation method of retirement benefit obligations are made to retained earnings.

(6) Adjustment to Clearing Business Financial Assets and Liabilities

The Group did not recognize clearing business financial assets and liabilities, and variation margin included in deposits from clearing participants under Japanese GAAP. However, under IFRS, the Group recognizes clearing business financial assets and liabilities and aforementioned variation margin.

(7) Adjustment to Retained Earnings

| | |
|--|--------------------------|
| Adjustment of tax effects | 5,229 million yen |
| Adjustment to unused paid absences | (145 million yen) |
| Adjustment to employee retirement benefits | (319 million yen) |
| Total adjustment to retained earnings | <u>4,764 million yen</u> |

(8) Reclassification

In addition to the above, the Group makes reclassifications to comply with the provisions of IFRS. The major reclassifications are as follows:

- Items presenting "margin funds for derivatives, etc. and when-issued transactions," "deposits for clearing funds" and "deposits as collateral for facilitating settlement" under Japanese GAAP are reclassified to "specified assets for deposits from clearing participants" under IFRS.

Also, items presenting "margin funds received for derivatives, etc. and when-issued transactions," "deposits received for clearing funds" and "deposits received as collateral for facilitating settlement" under

Japanese GAAP are reclassified to “deposits from clearing participants” under IFRS.

- All of the current portions of “deferred tax assets” and “deferred tax liabilities” are reclassified to non-current portions.
- Financial assets and financial liabilities are presented separately in accordance with IFRS.
- “Retirement benefit assets” and “retirement benefit liabilities” are partially reclassified based on the definitions and requirements under IFRS.

Reconciliation of equity as of March 31, 2014

(the date of the latest consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

| Accounts under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRS | Notes | Accounts under IFRS |
|--|------------------|------------------|---|------------|--------|--|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 103,813 | (53,100) | — | 50,713 | (9) | Cash and cash equivalents |
| Operating accounts receivable | 8,995 | 23 | 61 | 9,080 | (1)(9) | Trade and other receivables |
| Securities | 802 | (802) | — | — | (9) | |
| Work in process | 61 | — | (61) | — | (1) | |
| Deferred tax assets | 2,168 | (2,168) | — | — | (9) | |
| | — | — | 16,049,798 | 16,049,798 | (7) | Clearing business financial assets |
| | — | 1,112,672 | 15,690 | 1,128,362 | (7)(9) | Specified assets for deposits from clearing participants |
| Margin funds for derivatives, etc. and when- issued transactions | 913,437 | (913,437) | — | — | (9) | |
| Deposits for clearing funds | 188,734 | (188,734) | — | — | (9) | |
| Deposits as collateral for facilitating settlement | 10,500 | (10,500) | — | — | (9) | |
| | — | 522 | — | 522 | (9) | Specified assets for legal guarantee funds |
| | — | 1,411 | — | 1,411 | (9) | Income tax receivables |
| | — | 53,903 | — | 53,903 | (9) | Other financial assets |
| Other | 2,729 | (1,446) | — | 1,282 | (9) | Other current assets |
| Allowance for doubtful accounts | (12) | 12 | — | — | (9) | |
| Total current assets | 1,231,231 | (1,645) | 16,065,489 | 17,295,075 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| Property, plant and equipment | 7,066 | — | — | 7,066 | | Property and equipment |
| Goodwill | 63,932 | — | 3,442 | 67,374 | (2) | Goodwill |
| Other intangible assets | 23,878 | — | — | 23,878 | | Intangible assets |
| | — | 6,443 | — | 6,443 | (9) | Investments accounted for using the equity method |
| Investment securities | 37,344 | (37,344) | — | — | (9) | |
| Long-term loans receivable | 29 | (29) | — | — | (9) | |
| Net defined benefit asset | 2,914 | — | 815 | 3,730 | (6) | Retirement benefit assets |
| Legal guarantee funds | 522 | (522) | — | — | (9) | |
| Deferred tax assets | 3,006 | 2,168 | 4,591 | 9,767 | (4)(9) | Deferred tax assets |
| Special assets for default compensation reserve funds | 27,948 | — | — | 27,948 | | Specified assets for default compensation reserve funds |
| | — | 31,075 | 1,893 | 32,968 | (3)(9) | Other financial assets |
| Other investments | 5,977 | (283) | — | 5,693 | (9) | Other non-current assets |
| Allowance for doubtful accounts | (138) | 138 | — | — | (9) | |
| Total non-current assets | 172,482 | 1,645 | 10,743 | 184,871 | | Total non-current assets |
| Total assets | 1,403,713 | — | 16,076,233 | 17,479,946 | | Total assets |

(Millions of yen)

| Accounts under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRS | Notes | Accounts under IFRS |
|--|---------------|------------------|--|------------|--------|---|
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Operating accounts payable | 2,994 | 2,436 | – | 5,431 | (9) | Trade and other payables |
| Short-term loans payable | 32,500 | – | – | 32,500 | | Loans payable |
| Income taxes payable | 17,600 | – | – | 17,600 | | Income tax payables |
| Provision for bonuses | 1,420 | (1,420) | – | – | (9) | |
| Provision for directors' bonuses | 366 | (366) | – | – | (9) | |
| | – | – | 16,049,798 | 16,049,798 | (7) | Clearing business financial liabilities |
| | – | 1,112,672 | 15,690 | 1,128,362 | (7)(9) | Deposits from clearing participants |
| Margin funds received for derivatives, etc. and when-issued transactions | 913,437 | (913,437) | – | – | (9) | |
| Deposits received for clearing funds | 188,734 | (188,734) | – | – | (9) | |
| Deposits received as collateral for facilitating settlement | 10,500 | (10,500) | – | – | (9) | |
| | – | 522 | – | 522 | (9) | Legal guarantee funds |
| Deposits received as trading participant security money | 4,783 | – | – | 4,783 | | Trading participant security money |
| Other | 5,937 | (649) | 218 | 5,506 | (5)(9) | Other current liabilities |
| Total current liabilities | 1,178,274 | 522 | 16,065,708 | 17,244,506 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| Long-term loans payable | 10,000 | – | – | 10,000 | | Loans payable |
| Deferred tax liabilities | 4,448 | – | 513 | 4,961 | | Deferred tax liabilities |
| Net defined benefit liability | 7,465 | – | (747) | 6,717 | (6) | Retirement benefit liabilities |
| Returnable legal guarantee funds | 522 | (522) | – | – | (9) | |
| Other | 983 | – | – | 983 | | Other non-current liabilities |
| Total non-current liabilities | 23,420 | (522) | (234) | 22,662 | | Total non-current liabilities |
| Total liabilities | 1,201,694 | – | 16,065,473 | 17,267,169 | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 11,500 | – | – | 11,500 | | Share capital |
| Capital surplus | 59,726 | – | – | 59,726 | | Capital surplus |
| Retained earnings | 117,264 | – | 9,390 | 126,655 | (8) | Retained earnings |
| Treasury shares | (5) | – | – | (5) | | Treasury shares |
| – | – | 7,857 | 1,367 | 9,225 | (9) | Other components of equity |
| Total accumulated other comprehensive income | 7,857 | (7,857) | – | – | (9) | |
| | | | | 207,101 | (9) | Total equity attributable to owners of the parent company |
| Minority interests | 5,675 | – | – | 5,675 | | Non-controlling interests |
| Total net assets | 202,018 | – | 10,758 | 212,777 | | Total equity |
| Total liabilities and net assets | 1,403,713 | – | 16,076,233 | 17,479,946 | | Total liabilities and equity |

Notes on Reconciliation (March 31, 2014)

(1) Adjustment to Work in Process

With regard to fees for system development, the Group adopted the completed contract method under Japanese GAAP. However, under IFRS, the Group has adopted the cost recovery method and recognizes the costs as expenses when incurred.

(2) Adjustment to Amortization of Goodwill

Under Japanese GAAP, the Group estimated substantially the amortization period and goodwill was amortized over the years estimated; however, since amortization is suspended after the date of transition, adjustments are made to retained earnings under IFRS.

(3) Adjustment to Financial Instruments

Listed equity instruments held by the Group were converted at the average market price and exchange rate for one month before the end of the fiscal year under Japanese GAAP. However, such instruments are converted at the market price and exchange rate at the end of fiscal year under IFRS.

Unlisted equity instruments were measured at cost in principle under Japanese GAAP. However, such instruments are measured at fair value in principle under IFRS.

(4) Adjustment to Deferred Tax Assets

Under Japanese GAAP, deferred tax assets are recognized based on the classification of companies specified in the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66, the audit committee of the Japanese Institute of Certified Public Accountants "Audit Treatment on Determining the Recoverability of Deferred Tax Assets." Under IFRS, deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that the management determined it is probable that future taxable income will be available against which the deductible temporary difference can be utilized.

(5) Adjustment to Unused Paid Absences

The Group recognizes unused paid absences, for which accounting treatment is not required under Japanese GAAP, as liabilities under IFRS and adjustments are made to retained earnings.

(6) Adjustment to Defined Benefit Plans

Retirement benefit obligations are recalculated in accordance with IFRS. Adjustments for the gain or loss that is incurred due to the periodic allocation method of retirement benefit obligations are made to retained earnings.

(7) Adjustment to Clearing Business Financial Assets and Liabilities

The Group did not recognize clearing business financial assets and liabilities, and variation margin included in deposits from clearing participants under Japanese GAAP. However, under IFRS, the Group recognizes clearing business financial assets and liabilities and aforementioned variation margin.

(8) Adjustment to Retained Earnings

| | |
|--|--------------------------|
| Adjustment of tax effects | 5,232 million yen |
| Adjustment to amortization of goodwill | 3,442 million yen |
| Adjustment to unused paid absences | (140 million yen) |
| Adjustment to employee retirement benefits | 857 million yen |
| Total adjustment to retained earnings | <u>9,390 million yen</u> |

(9) Reclassification

In addition to the above, the Group makes reclassifications to comply with the provisions of IFRS. The major reclassifications are as follows:

- Items presenting "margin funds for derivatives, etc. and when-issued transactions," "deposits for clearing funds" and "deposits as collateral for facilitating settlement" under Japanese GAAP are reclassified to "specified assets for deposits from clearing participants" under IFRS.

Also, items presenting “margin funds received for derivatives, etc. and when-issued transactions,” “deposits received for clearing funds” and “deposits received as collateral for facilitating settlement” under Japanese GAAP are reclassified to “deposits from clearing participants” under IFRS.

- All of the current portions of “deferred tax assets” and “deferred tax liabilities” are reclassified to non-current portions.
- Financial assets and financial liabilities are presented separately in accordance with IFRS.

Reconciliation of profit or loss and comprehensive income (Fiscal year ended March 31, 2014)
(the consolidated financial statements for the latest fiscal year prepared under Japanese GAAP)

(Millions of yen)

| Accounts under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRS | Notes | Accounts under IFRS |
|---|------------------|------------------|---|---------|--------|--|
| Consolidated Statements of Income | | | | | | |
| Operating revenue | 116,251 | – | (2,405) | 113,846 | (3) | Operating revenue |
| | – | 206 | – | 206 | (1) | Other revenue |
| | | | | 114,052 | | Total revenue |
| Operating expenses | 65,131 | – | (5,887) | 59,244 | (2)(3) | Operating expenses |
| | – | 1,520 | – | 1,520 | (4)(5) | Other expenses |
| | | | | 60,764 | (1) | Total expenses |
| | – | 55 | – | 55 | (1) | Share of income of investments accounted for using the equity method |
| Operating income | 51,120 | (1,258) | 3,482 | 53,343 | | Operating income |
| | – | 1,524 | – | 1,524 | (1) | Financial income |
| | – | 81 | – | 81 | (1) | Financial expenses |
| Non-operating income | 1,786 | (1,786) | – | – | (1) | |
| Non-operating expenses | 105 | (105) | – | – | (1) | |
| Extraordinary losses | 1,497 | (1,497) | – | – | (1) | |
| Income before income taxes and minority interests | 51,304 | – | 3,482 | 54,786 | | Income before income tax |
| Total income taxes | 21,231 | – | 13 | 21,244 | | Income tax expense |
| Income before minority interests | 30,072 | – | 3,468 | 33,541 | | Net income |
| Minority interests in income | 236 | – | – | 236 | | Net income (attributable to non-controlling interests) |
| Net income | 29,835 | – | 3,468 | 33,304 | | Net income (attributable to owners of the parent company) |
| Consolidated Statements of Comprehensive Income | | | | | | |
| Income before minority interests | 30,072 | – | 3,468 | 33,541 | | Net income |
| Other comprehensive income | | | | | | Items that will not be reclassified to profit or loss |
| Valuation difference on available-for-sale securities | (1,082) | 0 | 575 | (506) | (6) | Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income |
| Share of other comprehensive income of entities accounted for using equity method | 0 | (0) | – | 0 | | Share of other comprehensive income of investments accounted for using the equity method |
| | – | – | 1,157 | 1,157 | | Remeasurements of defined benefit plan |
| Total other comprehensive income | (1,082) | – | 1,732 | 650 | | Other comprehensive income, net of tax |
| Comprehensive income | 28,990 | – | 5,201 | 34,191 | | Comprehensive income |

Notes on Reconciliation (Comprehensive Income for the Fiscal Year Ended March 31, 2014)

(1) Adjustment to Non-Operating Income, Non-Operating Expenses, Extraordinary Losses

Items presenting “non-operating income,” “non-operating expenses,” and “extraordinary losses” under Japanese GAAP are presented as “financial income” or “financial expenses” for financial-related items, and as “other revenue,” “other expenses,” and “share of income of investments accounted for using the equity method” for those other than financial-related items under IFRS.

(2) Adjustment to Amortization of Goodwill

Under Japanese GAAP, the Group estimated the amortization period, and goodwill was amortized over the years estimated; however, amortization is suspended under IFRS.

(3) Adjustment to Fees for and Cost of System Development

With regard to fees for system development, the Group adopted the completed contract method under Japanese GAAP. However, under IFRS, the Group has adopted the cost recovery method and recognizes the cost when incurred.

(4) Adjustment to Unused Paid Absences

The Group recognizes unused paid absences, which is not recognized under Japanese GAAP, as expenses under IFRS and adjustments are made to operating expenses.

(5) Adjustment to Defined Benefit Plans

With regard to actuarial gains or losses under Japanese GAAP, the Group amortized them from the fiscal year following the year in which they incurred, using the straight-line method over certain years determined based on the employees’ average remaining service periods. However, under IFRS, the Group fully recognizes remeasurements of the net defined benefit liabilities (assets) when incurred in other comprehensive income and immediately transfers them to retained earnings.

(6) Adjustment to Financial Instruments

Listed equity instruments held by the Group were converted at the average market price and exchange rate for one month before the end of the fiscal year under Japanese GAAP. However, such instruments are converted at the market price and exchange rate at the end of fiscal year under IFRS.

Unlisted equity instruments were measured at cost in principle under Japanese GAAP. However, such instruments are measured at fair value in principle under IFRS.

Reconciliation of cash flows for the fiscal year ended March 31, 2014 (the latest fiscal year of consolidated financial statements prepared under Japanese GAAP)

There are no material differences between the consolidated statements of cash flows that are disclosed in accordance with Japanese GAAP and the consolidated statements of cash flows that are disclosed in accordance with IFRS.

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