



JPX
JAPAN EXCHANGE
GROUP

- Your Exchange of Choice -

2nd Medium-Term Management Plan

FY2016

FY2018

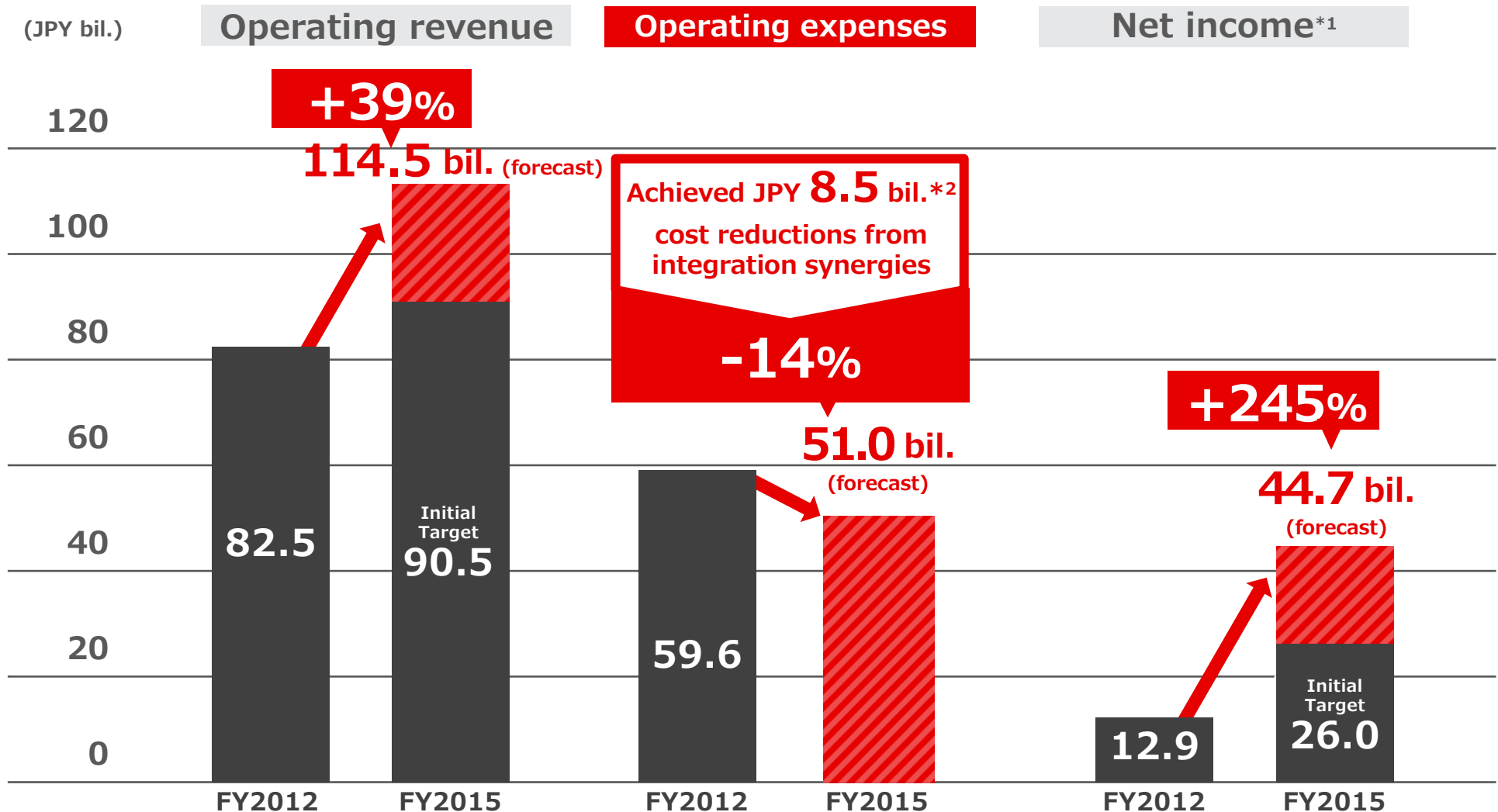
March 22, 2016 Japan Exchange Group, Inc.



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**Review of
1st Medium-Term
Management Plan
FY2013-FY2015**

JPX achieved targeted JPY 8.5 bil. cost reductions from business integration synergies, and final results are expected to be well clear of initial targets.



*1 "Net income" in this document refers to "Net income attributable to owners of the parent company".

*2 JPY 8.5 bil. cost reduction target for business integration synergies exclude additional costs due to changes in business environment.

1 Creation of a new Japanese stock market

- Introduced Corporate Governance Code
- Launched JPX-Nikkei 400 index
- Promoted IPOs and expanded ETF market

2 Expansion of the derivatives market

- Launched JPX-Nikkei 400 futures
- Developed Next J-Gate derivatives trading system
- Concluded system provision agreement with TOCOM

3 Expansion of exchange business fields

- Expanded OTC derivatives clearing business
- Merged JSCC and JGBCC

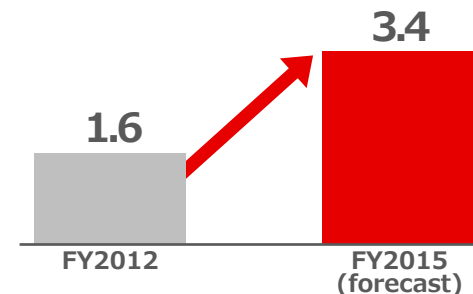
4 Early realization of integration benefits

- Achieved JPY 8.5 bil. in cost synergies (excluding additional cost due to changes in business environment)
- Completed integration of major organizational functions, regulations, and IT infrastructure

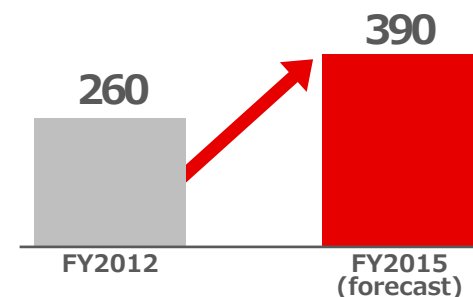
5 Growing our presence in Asia

- Provided support for establishing stock exchange in Myanmar
- Cross-listed ETF and futures with exchanges in Taiwan
- Achieved interconnectivity with SGX co-location facility

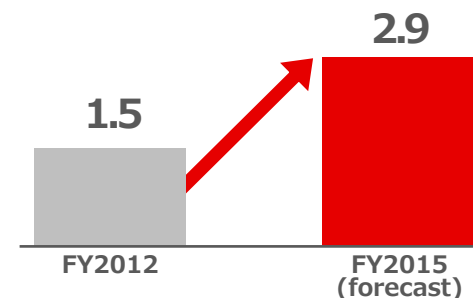
Cash equity daily trading value (JPY tril.)



Derivatives annual trading volume (mil. contracts)



IRS average daily notional cleared value (JPY tril.)





2

2nd Medium-Term Management Plan

FY2016-FY2018

STEP UP TO THE NEXT

Pursue the next step forward in developing market infrastructure and services and encouraging investment in the securities market.

Increase investment for sustainable market development to build on successful TSE-OSE integration

Leverage competencies across the JPX group

Further develop JPX markets through stronger cross-division cooperation and complementary relationships in the corporate group

Aggressively pursue new business

Diversify business portfolio toward ensuring stable market operations

1st year2nd year3rd year

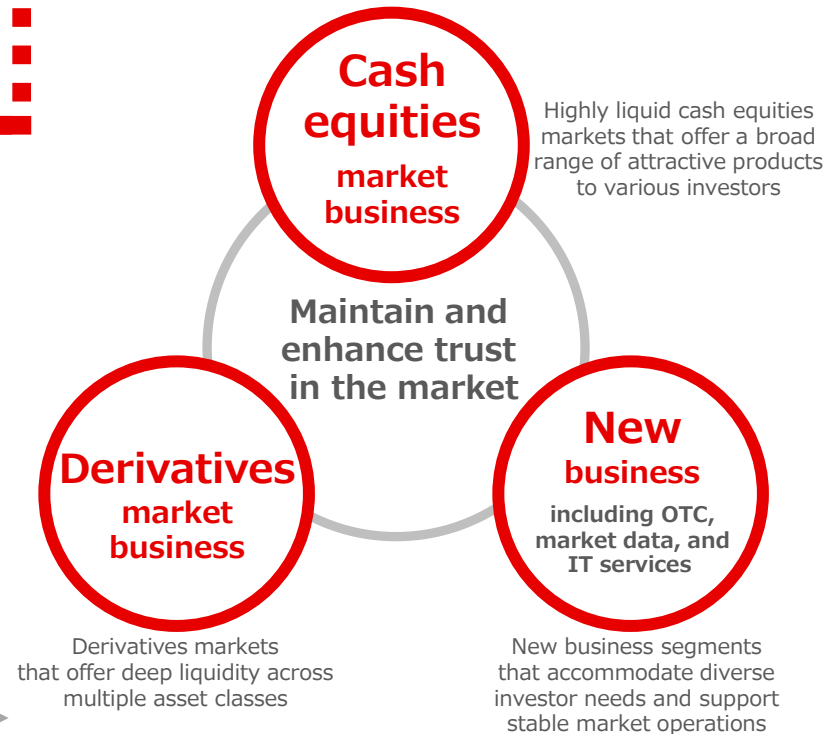
2nd Medium-Term
Management Plan

Your Exchange of Choice

The Most Preferred Exchange in Asia

Mid- to Long-Term Vision

Well-balanced business portfolio



Channel resources to strategic investments toward raising overall operating revenue, with focus on derivatives and new business,

by **JPY 15 bil.**

**+ 15
JPY bil.**

New Business

- Expand clearing and settlement services
- Develop index and information business
- Enter new business fields

Derivatives

- Diversify derivatives lineup
- Attract diverse institutional participation

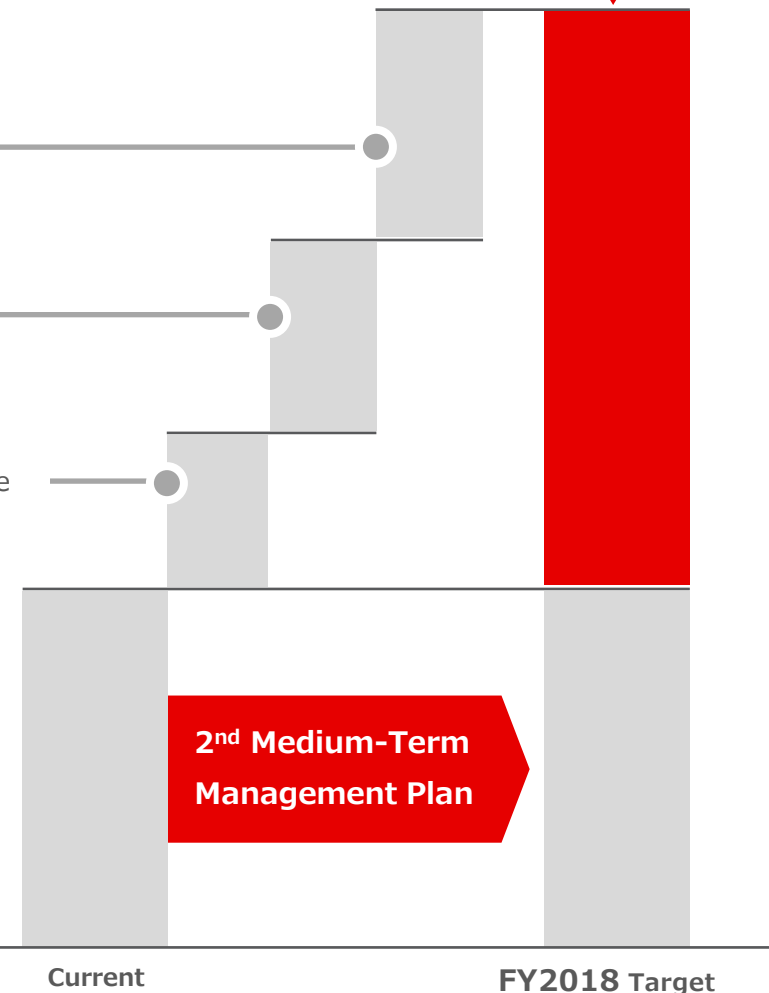
Cash equities

- List new, attractive investment products
- Enhance effectiveness of corporate governance
- Ensure stable supply of risk money

Capex Approx. **JPY 46 bil.**

FY2016-FY2018 3-year Total

Exceeds initial JPY 36 bil. targeted outlay
in 1st medium-term management plan



* Implementation of initiatives stated in this 2nd Medium-Term Management Plan and targeted revenue and income increase may be affected by external environment. As such, actual performance may deviate from targets due to market conditions and other factors.



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Core Initiatives

- I** Satisfying diverse investor needs and encouraging mid- to long-term asset building
- II** Supporting listed companies in enhancing corporate value
- III** Fulfilling social mission by reinforcing market infrastructure
- IV** Creating new horizons of exchange business

I Satisfying diverse investor needs and encouraging mid- to long-term asset building

Business Environment

Rising need for financial literacy and portfolio diversification

as Japan makes the transition to a mature economy

Concerns over uncertainty and reduced liquidity

from struggling emerging economies, tighter global financial regulations, and monetary policy moves

Core Initiatives

- 1 Promote asset formation by retail investors
- 2 Diversify derivatives lineup
- 3 List attractive products
- 4 Attract diverse institutional participation
- 5 Develop index and information business

Target 1

ETF holders
+ 500,000
 or more

(+3 mil. or more by FY2021)

Target 2

AUM tracking new JPX indices
+JPY 1 tril.
 or more

Target 3

Listed NAV
+JPY 5 tril.
 or more (ETF)
+JPY 1 tril.
 or more (REIT)

I Satisfying diverse investor needs and encouraging mid- to long-term asset building

Core Initiatives

- 1** Promote asset formation by retail investors
 - Establish Financial Literacy Support departments
 - Strengthen information provision and investor education to nurture next generation's new investors
 - Implement measures to increase ETF market liquidity
- 2** Diversify derivatives lineup
 - Expand interest rate-related and other derivatives, and promote active use
 - Continue pursuing comprehensive exchange initiative with entry into the commodities field
- 3** List attractive products
 - Broaden ETF lineup to meet diverse investor needs
 - Expand fund markets (REITs, infrastructure funds, etc.)
- 4** Attract diverse institutional participation
 - Reorganize sales and marketing divisions, and strengthen functions of overseas offices
 - Expand connectivity services
- 5** Develop index and information business
 - Develop smart beta and other new indices and facilitate creation of ETF and investment trusts
 - Establish and promote customized index business

II Supporting listed companies in enhancing corporate value

Business Environment

Attentions turn to the effectiveness of
Japan's Corporate Governance Code

following positive feedback since introduction

Japan needs more risk money for
sustainable economic growth

even as corporate performance and
employment conditions improve

Core Initiatives

- 1 Enhance effectiveness of corporate governance
- 2 Ensure stable supply of risk money

Target 1
Companies
appointing two or
more independent
directors (TSE 1st Section)

75% or more
(As of July 2015: 48.4%)

Target 2
IPO
**Approx. 100
companies per year**

(1st Medium-Term Management Plan:
avg. 80 companies per year)

II Supporting listed companies in enhancing corporate value

Core Initiatives

- 1** Enhance effectiveness of corporate governance
 - Grasp a comprehensive picture of developments in Japanese corporate governance and communicate to global investors
 - Drive corporate governance reform through selection criteria for JPX-Nikkei 400
 - Foster an environment conducive to smooth dialogue between listed companies and institutional investors
- 2** Ensure stable supply of risk money
 - Broaden IPO base and improve conditions for nurturing prospective listings
 - Review TSE emerging market divisions
 - Nurture primary and secondary bond markets

III Fulfilling social mission through enhancing market infrastructure

Business Environment

Increased importance as public infrastructure and rising expectations for improved market convenience
after TSE-OSE business integration

Need to reinforce measures for ensuring confidence
in light of more sophisticated and complex market environment due to increased algorithmic trading

Core Initiatives

- 1 Expand clearing and settlement services and enhance system infrastructure
- 2 Strengthen BCP and cybersecurity
- 3 Design next-generation trading systems
- 4 Enhance self-regulatory functions

Target 1

Achieve advanced, world-class clearing services

Target 2

Push toward shorter settlement cycle

(OTC JGB trading and stocks)

III Fulfilling social mission through enhancing market infrastructure

Core Initiatives

- 1** Expand clearing and settlement services and enhance system infrastructure
 - Introduce more sophisticated risk controls
 - Improve usability of IRS clearing services
 - Prepare for shorter settlement cycle
- 2** Strengthen BCP and cybersecurity
 - Fundamental review of BCP
 - Strengthen cybersecurity
- 3** Design next-generation trading systems
 - Start developing next generation systems with a focus on enhancing user-friendliness and reliability
- 4** Enhance self-regulatory functions
 - Adapt and enhance market surveillance to address new trading techniques
 - Strengthen inspections on broker system risk
 - Promote listed company compliance with a focus on preventing new incidents and recurrence

IV Creating new horizons of exchange business

Business Environment

Increased dependency of group revenues on domestic market conditions
 with recovery in Japanese stocks

Possible impact on existing business models
 from tighter global financial regulations and advancements in financial technology and IT

Core Initiatives

- 1 Enter into new business fields
- 2 Drive innovation
- 3 Strengthen foundations for global business
- 4 Strengthen research/analysis capabilities

Target 1
 Expand OTC business to new asset classes

Target 2
 Stable revenue base with new business
+JPY 1.5 bil.
 or more
 (+JPY 3.5 bil. or more by FY2021)

IV Creating new horizons of exchange business

Core Initiatives

1

Enter into new business fields

- Launch new OTC clearing services
- Create new business capitalizing on integrated value chain
- Develop internal capabilities for M&A

2

Drive innovation

- Pursue development and proof of concept testing of fintech for new exchange business
- Develop internal framework and change working arrangements to foster an innovative organizational culture

3

Strengthen foundations for global business

- Establish Global Strategy department to accelerate overseas business
- Reinforce and leverage overseas branches and offices to explore new opportunities

4

Strengthen research/analysis capabilities

- Strengthen research/analysis and convey findings to cultivate a deeper understanding of the market
- Strengthen research on domestic and overseas regulatory changes and advocacy such as policy recommendations

JPX
TOKYO STOCK EXCHANGE

時価総額・上場銘柄数

Market Value	No. of Listed Issues
時価総額 Market Value	上場銘柄数 No. of Listed Issues
5016072 億円 ¥100mil	大引 1943
57860 億円 ¥100mil	大引 542
31925 億円 ¥100mil	大引 218
74264 億円 ¥100mil	大引 738
11419 十億円 ¥ bil	19:01

売買高 Trading Volume

東証一部 1st Section	1983.26 百万株 mil shares	大引
東証二部 2nd Section	81.15 百万株 mil shares	大引
マザーズ Mothers	58.72 百万株 mil shares	大引
JASDAQスタンダード Standard	314.19 百万株 mil shares	大引
ETF	35.27 百万口 mil lots	19:00
J-REIT	187377 口 lots	19:00

TOPIX

現在値 Current	C
前日比 Change	
始値 Open	
高値 High	
安値 Low	

売買代金 Trading Value

東証一部 1st Section	2043132 百万円 ¥ bil	大引
東証二部 2nd Section	19668 百万円 ¥ bil	大引
マザーズ Mothers	87960 百万円 ¥ bil	大引
JASDAQスタンダード Standard	67111 百万円 ¥ bil	大引
ETF	233142 百万円 ¥ bil	19:00
J-REIT	37559 百万円 ¥ bil	19:00

JPX-NIKKEI

現在値 Current	
前日比 Change	
始値 Open	
高値 High	
安値 Low	

株式先物・オプション

Futures & Options

取引高 Trading Volume	単位 contracts	15:15
TOPIX先物(当限) TOPIX Futures	58050	15:15
ミニTOPIX先物(当限) mini-TOPIX Futures	2964	15:15
TOPIX Core30先物(当限) TOPIX Core30 Index Futures	4	14:02
東証REIT指数先物(当限) REIT Index Futures	71	13:24
日経225先物(当限) Nikkei 225 Futures	59887	15:15
日経225mini(当限) Nikkei 225 mini Futures	517591	15:15

株式先物・オプション

Futures & Options

現在値 Current	前日比 Change
TOPIX先物(当限) TOPIX Futures	1349.50 +18.50
ミニTOPIX先物(当限) mini-TOPIX Futures	1350.00 +18.25
TOPIX Core30先物(当限) TOPIX Core30 Index Futures	649.5 +6.5
東証REIT指数先物(当限) REIT Index Futures	1865.0 -4.5
日経225先物(当限) Nikkei 225 Futures	16850 +220
日経225mini(当限) Nikkei 225 mini Futures	16850 +220

債券先物・先物オプション

Bond Futures / Options

取引高 Trading Volume	単位 contracts	15:15
日経平均VI(当限) Nikkei225 VI Futures	447	15:15

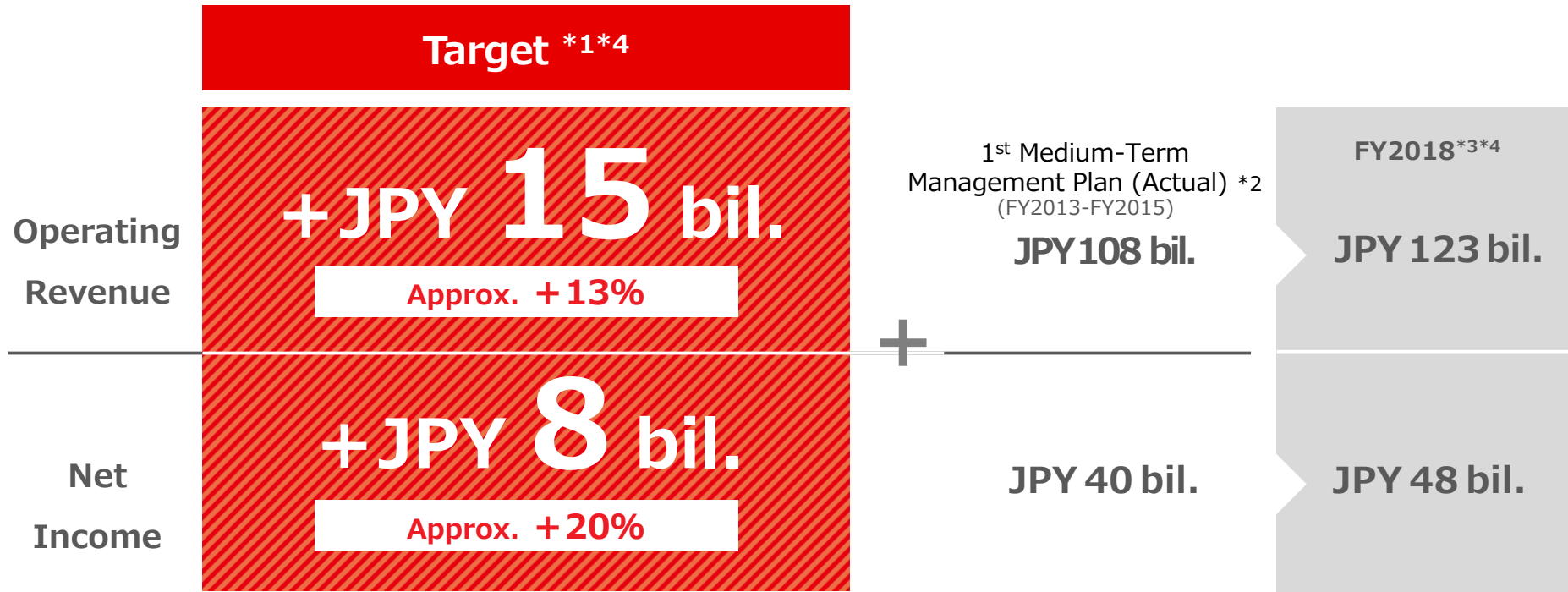
債券先物・先物オプション

Bond Futures / Options

現在値 Current	前日比 Change
日経平均VI(当限) Nikkei225 VI Futures	27.30 0.00

4

Financial Policies



ROE ^{FY2018^{*3*4}}
Approx. **17%**

*1 Targeted revenue and income increase from initiatives in this 2nd Medium-Term Management Plan.

*2 Estimates based on 3-year average trading activity during the 1st Medium-Term Management Plan (cash equity daily trading value JPY 3.1 tril., derivatives annual trading volume 350 mil. units)

*3 Revenue and income based on total of actual performance for 1st Medium-Term Management Plan and targets for 2nd Medium-Term Management Plan, ROE projections based on such income.

*4 Implementation of initiatives stated in this 2nd Medium-Term Management Plan and targeted revenue and income increase may be affected by external environment. Revenue is also linked to cash equities and derivatives trading conditions. As such, actual performance may deviate from targets due to market conditions and other factors.

Invest aggressively to pursue revenue/profit expansion and stability, while balancing sound financial health and shareholder returns, and thereby achieve sustainable development of the market.



ROE susceptible to market conditions

5yr avg. ROE before BOJ easing (FY2008-FY2012) approx. 5%*

3yr avg. ROE after BOJ easing (FY2013-FY2015) approx. 16%

Under any market condition

Target 10% ROE that is above capital costs over the mid- to long-term

*5-year average ROE for FY2008-FY2012 is based on combined net income and equity capital of TSE and OSE before business integration.

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