



# Overview of Earnings for 1Q FY2016

Japan Exchange Group, Inc.

July 28, 2016

# I. Overview of Earnings for 1Q FY2016 [IFRS]

## (April 1, 2016 – June 30, 2016)

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\* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act. Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.



# Highlights and FY2016 Forecast

- Revenues, particularly those from trading services, declined mainly due to a year-on-year decrease in cash equity trading value. Combined with an increase in depreciation cost accompanying the launch of new trading systems, quarterly net income fell 11.0% from last year.

(JPY mil.)

	1Q (April – June)				Full-year (April – March)		
	1Q FY2015	1Q FY2016			FY2015	FY2016 (Forecast)	
			y/y	FY2016 %			y/y
Operating Revenue	27,802	26,721	(3.9%)	24.7%	114,776	108,000	(5.9%)
Operating Expenses	11,498	13,069	+ 13.7%	24.0%	50,925	54,500	+ 7.0%
Operating Income	16,737	14,348	(14.3%)	26.6%	66,271	54,000	(18.5%)
Net Income* <sup>1</sup>	10,773	9,583	(11.0%)	24.9%	44,877	38,500	(14.2%)
EBITDA	18,878	17,762			77,791	-	-
Dividend per share* <sup>2</sup>	-	-			50.0yen	42.0yen	(8.0yen)

\*1 Net Income attributable to owners of the parent company.

\*2 Total of 2Q-end and year-end figures. Figures account for the 2-for-1 stock split conducted with an effective date of October 1, 2015.

## ➤ Average Daily Trading Volume/Value of Major Products

	1Q FY2015	1Q FY2016		FY2015	FY2016	
			y/y		(Assumptions for forecasts)	y/y
Cash Equities (trading value) * <sup>1</sup>	JPY 3,416.8 bil.	JPY 3,041.9 bil.	(11%)	JPY 3,412.6 bil.	JPY 3,100.0 bil.	(9%)
TOPIX Futures (trading volume)	84,471 contracts	87,812 contracts	+ 4%	93,824 contracts	102,000 contracts	+ 9%
Nikkei 225 Futures (trading volume) * <sup>2</sup>	189,369 contracts	196,978 contracts	+ 4%	230,435 contracts	229,000 contracts	(1%)
Nikkei 225 Options (trading value) * <sup>3</sup>	JPY 24.1 bil.	JPY 28.7 bil.	+ 19%	JPY 30.7 bil.	JPY 28.5 bil.	(7%)
10-year JGB Futures (trading volume)	38,087 contracts	28,598 contracts	(25%)	34,658 contracts	38,000 contracts	+ 10%

\*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

\*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

\*3 Excluding Weekly Options

# Acquisition of Own Shares

- Implement a capital policy that utilizes debt in light of the current interest rate environment, and increase shareholder returns.
- Funding for acquisition of own shares involves plans for debt fund raising at an early stage.

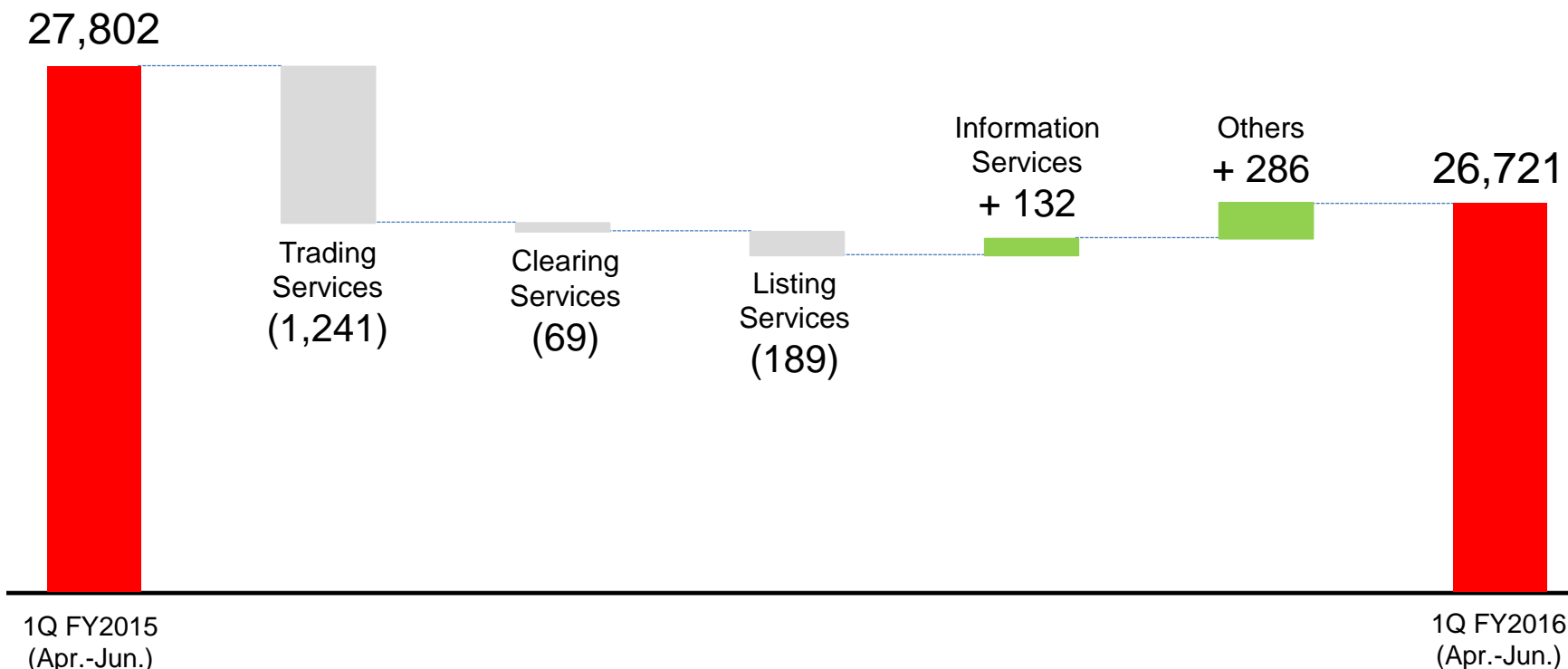
## Details of Acquisition of Own Shares

Total amount (max.)	JPY 10 bil.
Total no. of shares (max.)	10 mil. shares (1.8% of total no. of shares issued)
Method	Purchase in the TSE auction market
Period	Jul. 29, 2016 – Jan. 27, 2017

# Operating Revenue

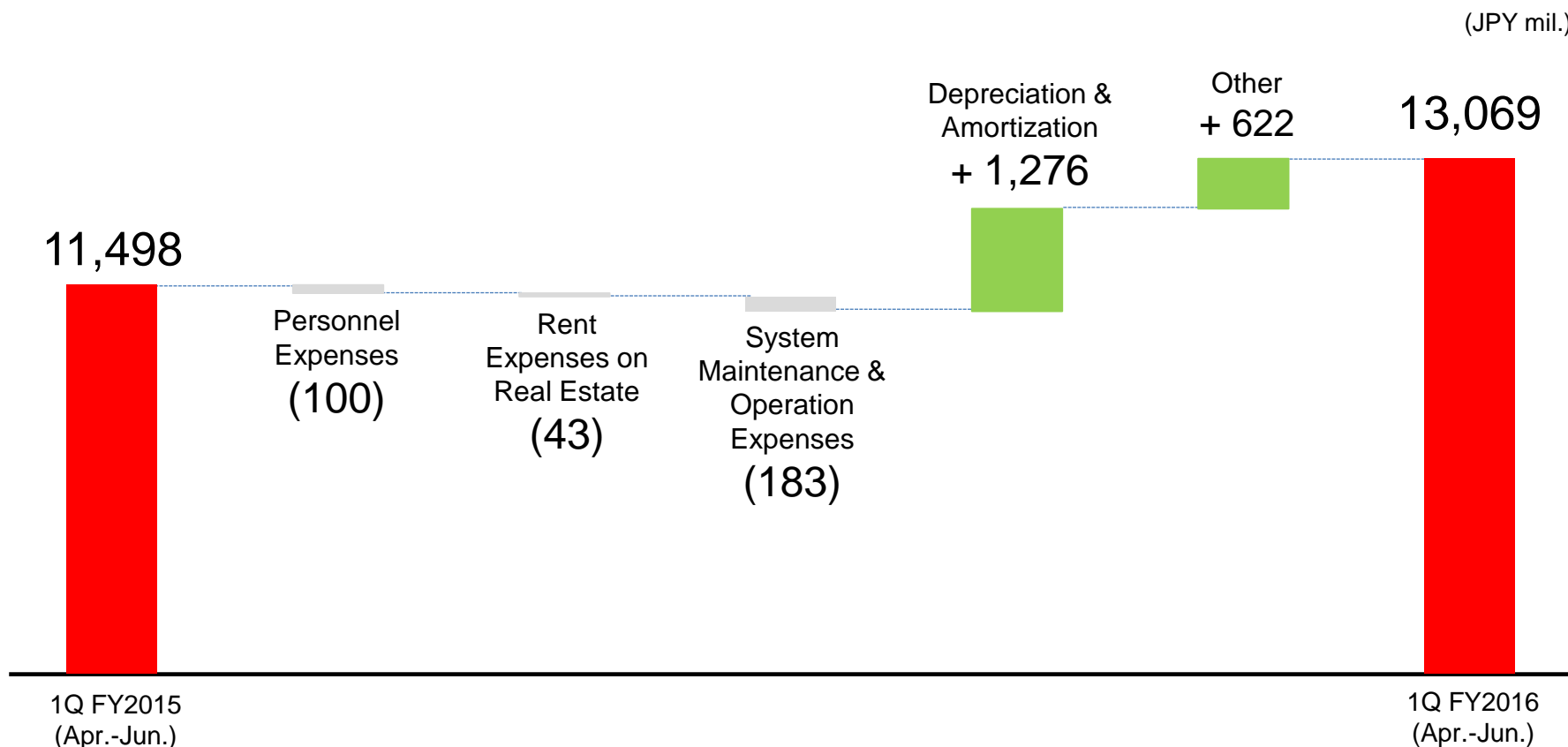
- Revenues from trading services declined due to a year-on-year decrease in cash equity trading value.
- Information services revenue grew mainly due to an increase in market data fees and index licensing revenue related to TOPIX and JPX-Nikkei 400.
- Other revenues also increased due to, among others, an increase in co-location and network (arrownet) usage fees.

(JPY mil.)



# Operating Expenses

- Depreciation and amortization increased mainly due to accelerated depreciation for the old J-GATE derivatives trading system and depreciation for the arrowhead cash equity trading system, which was launched in September 2015.



## II. Business Developments

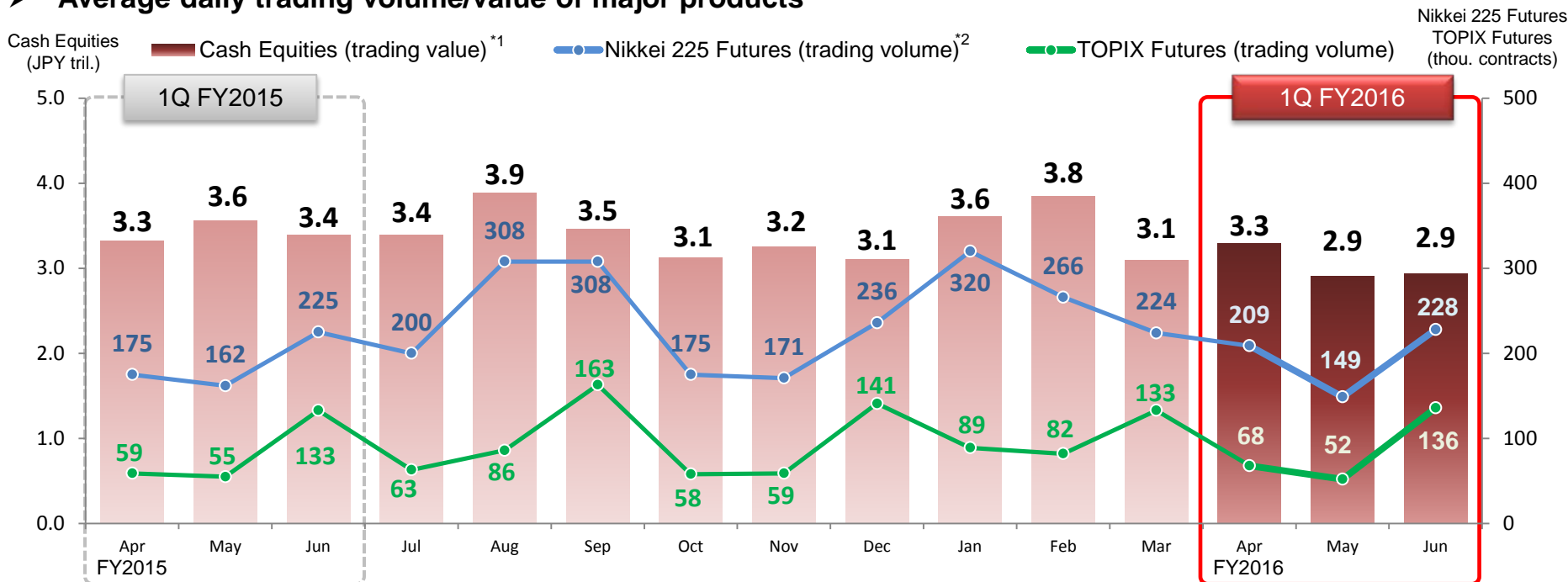
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# Market Trend

- Cash equity trading value for April reached on average JPY 3.3 trillion per day, exceeding the JPY 3.1 trillion assumption in the earnings forecast. However, in May, uncertainty in the global economic outlook pulled trading value below JPY 3 trillion for the first time in 20 months. With the offset from April activity, daily trading in the first quarter of FY2016 was around JPY 3 trillion.
- Average daily trading volumes of derivatives grew alongside greater volatility in the cash equity market, with TOPIX futures growing 4%, Nikkei 225 futures up 4%, and Nikkei 225 options rising 19% year-on-year.

## ➤ Average daily trading volume/value of major products



<sup>\*1</sup> Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

<sup>\*2</sup> Contracts of Nikkei 225 mini are calculated using a factor of 1/10.



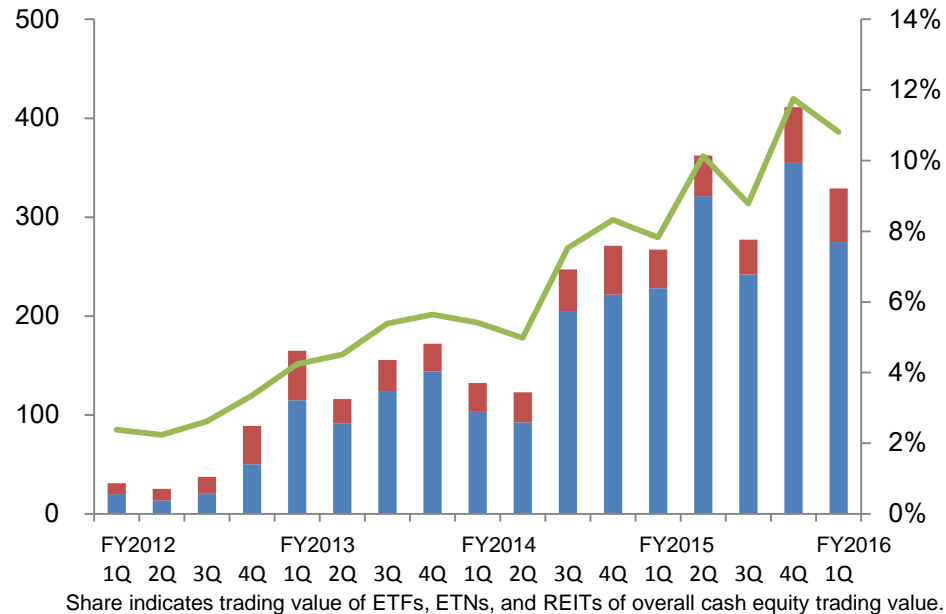
# Cash Equities

- ETF/ETN and REIT trading values grew, with daily activity expanding from about 8% last year to 11% of the overall cash equity market.
- The number of IPOs on TSE fell slightly to 18 from 21 last year.

## ➤ ADV of ETFs/ETNs and REITs

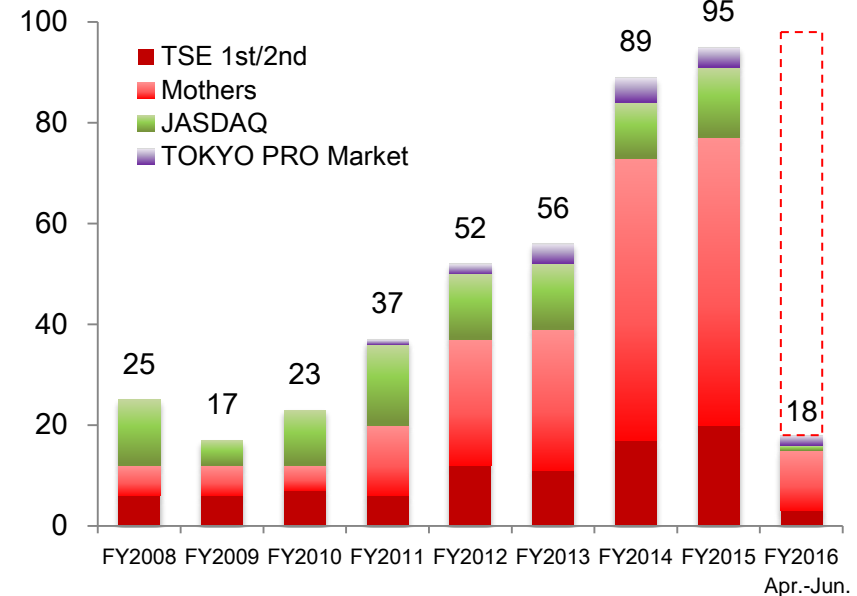
(JPY bil.)

ETFs • ETNs J-REITs Share



## ➤ IPOs on JPX markets

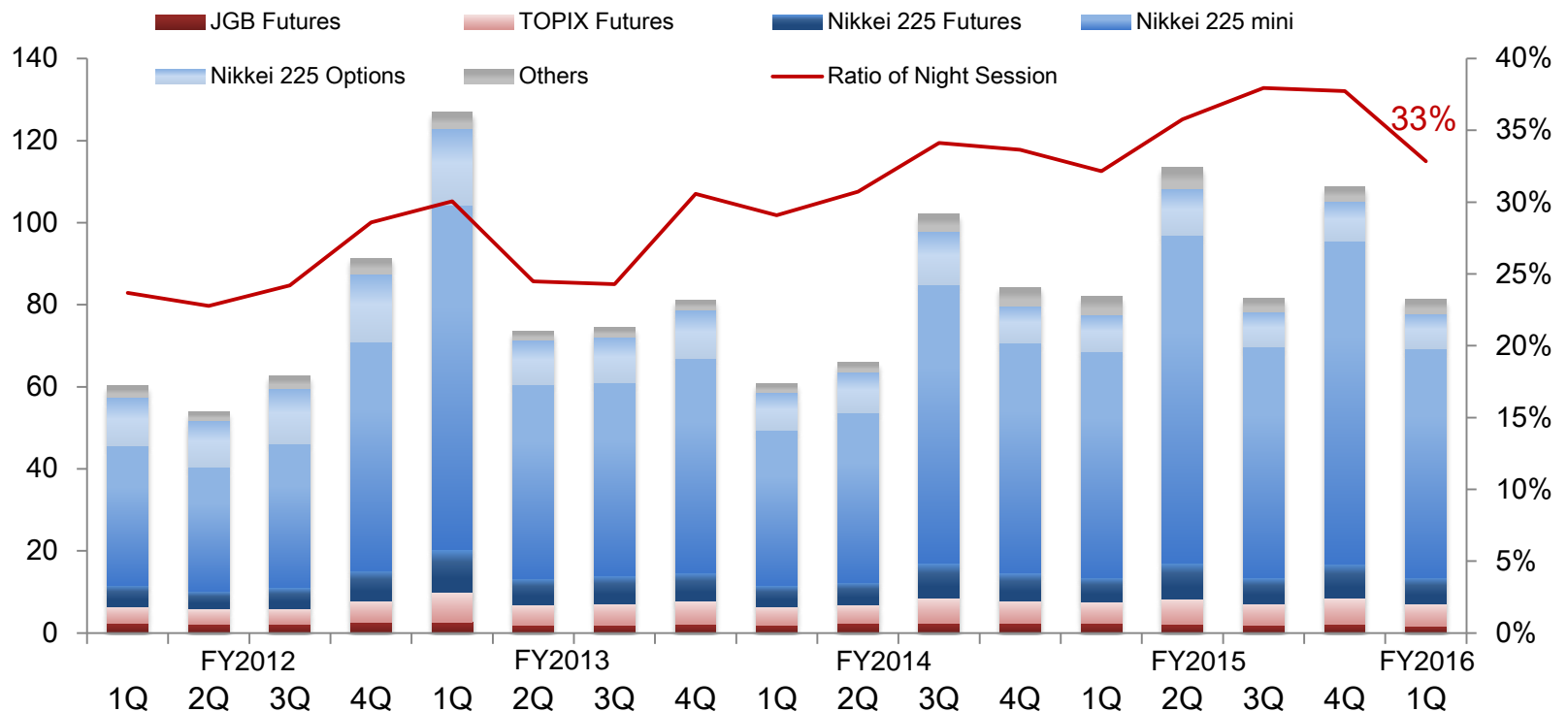
(companies)



- Trading volume in the night session was around 33% of overall trading, almost the same ratio compared to the previous year.

## ➤ Derivatives Trading Volume and Ratio of Night Session

(mil. Contracts)



# 1st Quarter Developments (Apr.-Jun.)

## Reviewed organizational structure

- Established Financial Literacy Support departments to encourage asset building by retail investors.
- Established Global Strategy Department to forge deeper ties with overseas exchanges, and accurately identify and flexibly pursue overseas business opportunities.

## Developed CAPEX & Human Capital Index

- Developed with S&P Dow Jones Indices JPX/S&P CAPEX & Human Capital Index to highlight companies actively involved in capital expenditure and investment in human capital.
- Listed 3 ETFs tracking the index.

## Proof-of-concept testing for blockchain technology

- Conducted proof-of-concept testing for blockchain (distributed ledger) technology with Japan IBM and Nomura Research Institute.

## Listed company response to Corporate Governance Code

- As of June 2016, the ratio of TSE 1st Section companies appointing at least two independent directors reached 79.7% (+653 companies, +31.3 pts from last year).

### <Reference>

On July 19, launched new J-GATE, extended trading hours, and launched new products.

### <Extended trading hours>

- Regular trading session  
Equity index futures open moved up from 9:00 to 8:45
- Night session  
Main products close extended from 3:00 to 5:30

### <New products>

- TSE Mothers Index futures
- JPX-Nikkei Index 400 options
- TAIEX futures
- FTSE China 50 Index futures

### III. Reference Materials

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# Referential Financial Data

## ➤ Quarterly Business Performance

(JPY mil.)

	FY2015				FY2016
	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	1Q (Apr. 1, 2016– Jun. 30, 2016)
Operating Revenue	27,802	30,149	27,331	29,492	26,721
Operating Expenses	11,498	11,803	12,801	14,821	13,069
Operating Income	16,737	18,558	16,450	14,525	14,348
Net Income *	10,773	13,106	11,624	9,373	9,583
EBITDA	18,878	21,393	19,467	18,052	17,762

\* Net income attributable to owners of the parent company.

# Referential Financial Data

## ➤ Operating Revenue

(JPY mil.)

	FY2015				FY2016		
	1Q (Apr.1, 2015– Jun. 30, 2015)	2Q (Jul.1, 2015– Sep.30, 2015)	3Q (Oct.1, 2015–Dec. 31, 2015)	4Q (Jan.1, 2016– Mar.31, 2016)	1Q (Apr.1, 2016– Jun. 30, 2016)		
	Amount	Amount	Amount		Amount	Ratio	y/y
<b>Trading services revenue</b>	<b>12,912</b>	<b>14,045</b>	<b>11,816</b>	<b>13,696</b>	<b>11,671</b>	<b>44%</b>	<b>(10%)</b>
Transaction Fees	10,684	11,749	9,551	11,308	9,338		(13%)
Cash Equities	7,985	8,117	6,986	7,694	6,679	72%*1	(16%)
Derivatives	2,699	3,631	2,565	3,613	2,659	28%*1	(1%)
TOPIX Futures	441	529	441	521	438		(1%)
Nikkei 225 Futures (incl. mini)	1,069	1,526	1,056	1,484	1,061		(1%)
Nikkei 225 Options *2	661	1,099	648	1,133	768		+ 16%
10-year JGB Futures	437	388	359	411	331		(24%)
Others	88	86	59	63	59		(33%)
Basic Fees	266	265	264	265	260		(2%)
Access Fees	1,231	1,306	1,250	1,377	1,321		+ 7%
Trading System Facilities Usage Fees	709	700	725	719	728		+ 3%
Others	21	24	23	27	23		+ 11%
<b>Clearing services revenue</b>	<b>5,643</b>	<b>6,028</b>	<b>5,486</b>	<b>5,981</b>	<b>5,573</b>	<b>21%</b>	<b>(1%)</b>
<b>Listing services revenue</b>	<b>2,900</b>	<b>3,572</b>	<b>3,578</b>	<b>3,198</b>	<b>2,710</b>	<b>10%</b>	<b>(7%)</b>
Initial/Additional Listing Fees	985	1,632	1,567	1,143	675		(31%)
Annual Listing Fees	1,914	1,940	2,010	2,055	2,034		+ 6%
<b>Information services revenue</b>	<b>4,358</b>	<b>4,421</b>	<b>4,412</b>	<b>4,513</b>	<b>4,491</b>	<b>17%</b>	<b>+ 3%</b>
<b>Other operating revenue</b>	<b>1,988</b>	<b>2,080</b>	<b>2,038</b>	<b>2,101</b>	<b>2,274</b>	<b>9%</b>	<b>+ 14%</b>
arrownet Usage Fees	555	591	568	600	672		+ 21%
Co-location Usage Fees	689	721	712	763	873		+ 27%
Others*3	743	767	757	737	728		(2%)
<b>Total</b>	<b>27,802</b>	<b>30,149</b>	<b>27,331</b>	<b>29,492</b>	<b>26,721</b>	<b>100%</b>	<b>(4%)</b>

\*1 Figures are indicate percentage of Transaction Fees.

\*2 Excluding Weekly Options.

\*3 Including Proximity Usage Fees.

# Referential Financial Data

## ➤ Operating Expenses

(JPY mil.)

	FY2015				FY2016
	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	1Q (Apr. 1, 2016– Jun. 30, 2016)
Personnel expenses	3,785	3,734	3,858	5,059	3,684
System maintenance & operation expenses	2,330	2,392	2,353	2,403	2,147
Depreciation & amortization	1,904	2,075	2,754	3,239	3,180
Rent expenses on real estates	1,174	1,174	1,147	1,124	1,131
Other	2,304	2,426	2,688	2,995	2,926
Total	11,498	11,803	12,801	14,821	13,069

# Referential Financial Data

## ➤ Consolidated Statement of Financial Position

(JPY mil.)

	As of Mar. 31,2016	As of Jun. 30,2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	66,547	56,751
Trade and other receivables	10,096	12,390
*1 Clearing business financial assets	26,395,558	28,306,481
*2 Specified assets for deposits from clearing participants	2,809,433	3,308,429
*3 Specified assets for legal guarantee funds	483	486
Income tax receivables	5,055	12,940
Other financial assets	65,600	59,000
Other current assets	1,163	1,228
Total current assets	29,353,939	31,757,708
Non-current assets		
Property and equipment	6,025	5,444
Goodwill	67,374	67,374
Intangible assets	31,033	30,746
Retirement benefit assets	3,626	3,599
Investments accounted for using the equity method	7,592	8,099
*5 Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	38,639	34,345
Other non-current assets	5,854	5,873
Deferred tax assets	4,741	4,729
Total non-current assets	192,836	188,160
<b>Total assets</b>	<b>29,546,776</b>	<b>31,945,869</b>

	As of Mar. 31,2016	As of Jun. 30,2016
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	4,413	3,031
Loans payable	22,500	32,500
*1 Clearing business financial liabilities	26,395,558	28,306,481
*2 Deposits from clearing participants	2,809,433	3,308,429
*3 Legal guarantee funds	483	486
*4 Trading participant security money	7,429	8,142
Income tax payables	10,714	4,421
Other current liabilities	6,403	13,242
Total current liabilities	29,256,937	31,676,736
Non-current liabilities		
Loans payable	10,000	—
Retirement benefit liabilities	7,352	7,464
Other non-current liabilities	3,924	3,783
Deferred tax liabilities	5,650	4,339
Total non-current liabilities	26,926	15,587
<b>Total liabilities</b>	<b>29,283,864</b>	<b>31,692,324</b>
Equity		
Share capital	11,500	11,500
Capital surplus	59,726	59,726
Treasury shares	(9)	(9)
Other components of equity	13,321	10,351
*6 Retained earnings	172,656	166,316
Total equity attributable to owners of the parent company	257,194	247,885
Non-controlling interests	5,717	5,659
Total equity	262,912	253,545
<b>Total liabilities and equity</b>	<b>29,546,776</b>	<b>31,945,869</b>

\*1 Japan Securities Clearing Corporation (JSCC) guarantees settlement as a clearinghouse for financial instruments transactions by assuming obligations for trades by market participants to become the counterparty for such trades, posting claims and obligations for cleared trades under clearing business financial assets and liabilities.

\*2 Deposits from clearing participants requested by JSCC for covering the risk of clearing participants defaulting on their obligations.

\*3 Deposits from trading participants requested by Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) for covering the risk at entrusting parties, etc. of trading participants defaulting on their obligations.

\*4 Deposits from trading participants requested by TSE and OSE for covering the risk of trading participants defaulting on their obligations.

\*5 Reserve funds for compensating losses incurred by JSCC in clearing operations.

\*6 Including reserve funds for compensating losses incurred by JSCC in clearing operations.



# Major Product Data

## ➤ Trading Volume/Value

	FY2015				FY2016
	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 30, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	1Q (Apr. 1, 2016– Jun. 30, 2016)
Trading Value of Cash Equities (JPY mil.)					
TSE 1st/2nd Section * <sup>1</sup>	180,820,436	189,247,280	166,310,629	177,748,541	149,927,942
Mothers * <sup>1</sup>	5,894,082	5,487,907	5,757,308	6,849,645	12,553,461
JASDAQ * <sup>1</sup>	5,409,453	4,458,234	3,432,110	3,933,113	3,007,765
ETFs/ETNs and REITs etc. * <sup>2</sup>	16,299,502	22,455,832	16,903,303	25,087,403	20,067,756
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)					
TOPIX Futures	5,152,726	6,284,469	5,302,308	6,247,344	5,356,506
Total Nikkei 225 Futures/mini * <sup>3</sup>	11,551,509	16,714,992	11,868,112	16,322,078	12,015,630
Nikkei 225 Futures	6,041,354	8,736,954	6,243,886	8,465,489	6,442,034
Nikkei 225 mini	55,101,557	79,780,382	56,242,263	78,565,899	55,735,969
Nikkei 225 Options (JPY mil.) * <sup>4</sup>	1,471,850	2,137,320	1,404,173	2,505,727	1,751,195
10-year JGB Futures	2,323,310	2,070,202	1,920,076	2,177,737	1,744,496

## ➤ Average Daily Trading Volume/Value

	FY2015				FY2016
	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 30, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	1Q (Apr. 1, 2016– Jun. 30, 2016)
Trading Value of Cash Equities (JPY mil.) * <sup>5</sup>	3,416,778	3,575,030	3,154,153	3,501,946	3,041,917
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)					
TOPIX Futures	84,471	101,362	86,923	102,415	87,812
Total Nikkei 225 Futures/mini * <sup>3</sup>	189,369	269,597	194,559	267,575	196,978
Nikkei 225 Futures	99,039	140,919	102,359	138,779	105,607
Nikkei 225 mini	903,304	1,286,780	922,004	1,287,966	913,704
Nikkei 225 Options (JPY mil.) * <sup>4</sup>	24,129	34,473	23,019	41,078	28,708
10-year JGB Futures	38,087	33,390	31,477	35,701	28,598

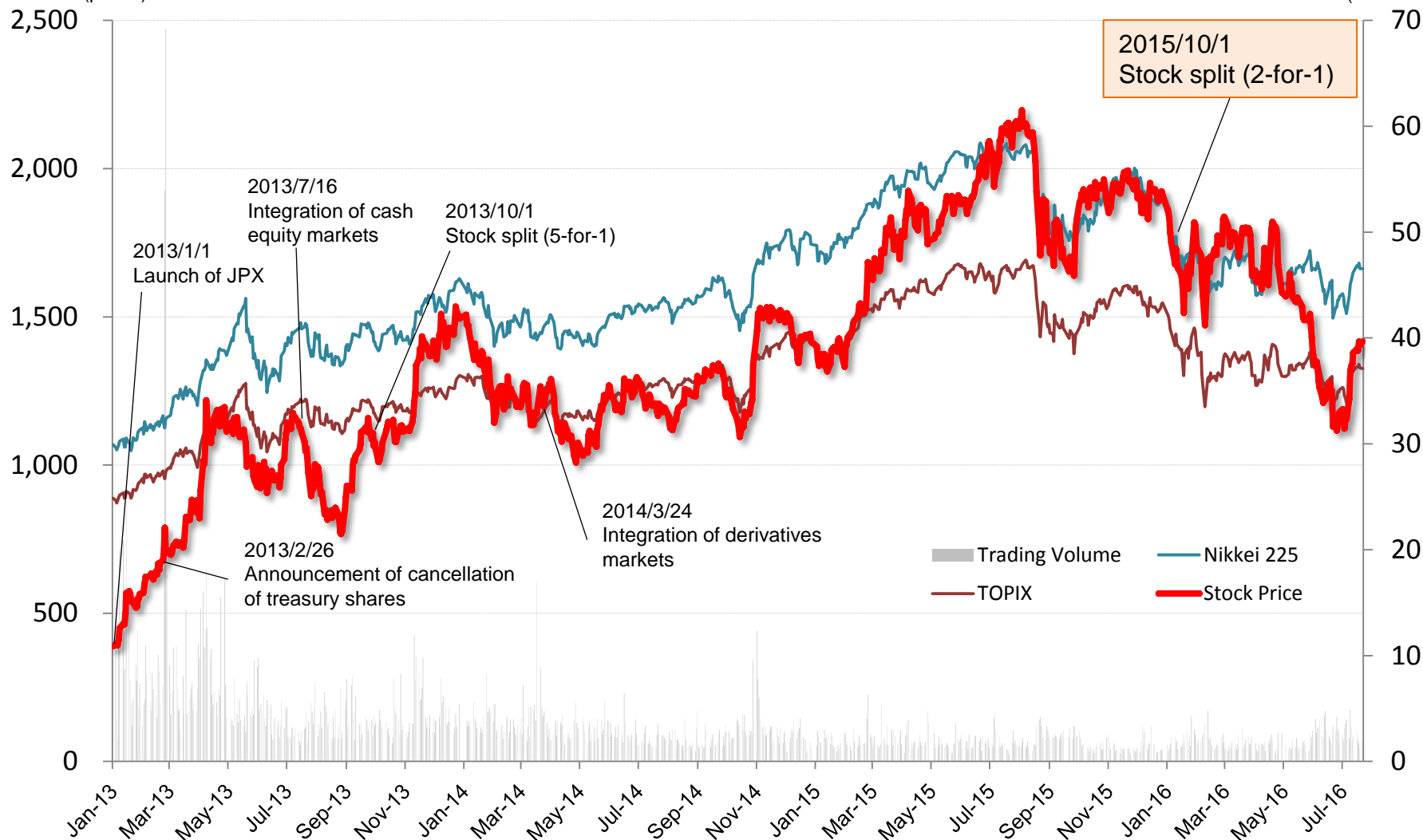
\*1 Value of auction and off-auction trading of common stocks. \*2 Total value of auction and off-auction trading. \*3 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

\*4 Excluding Weekly Options. \*5 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

# JPX Stock Price

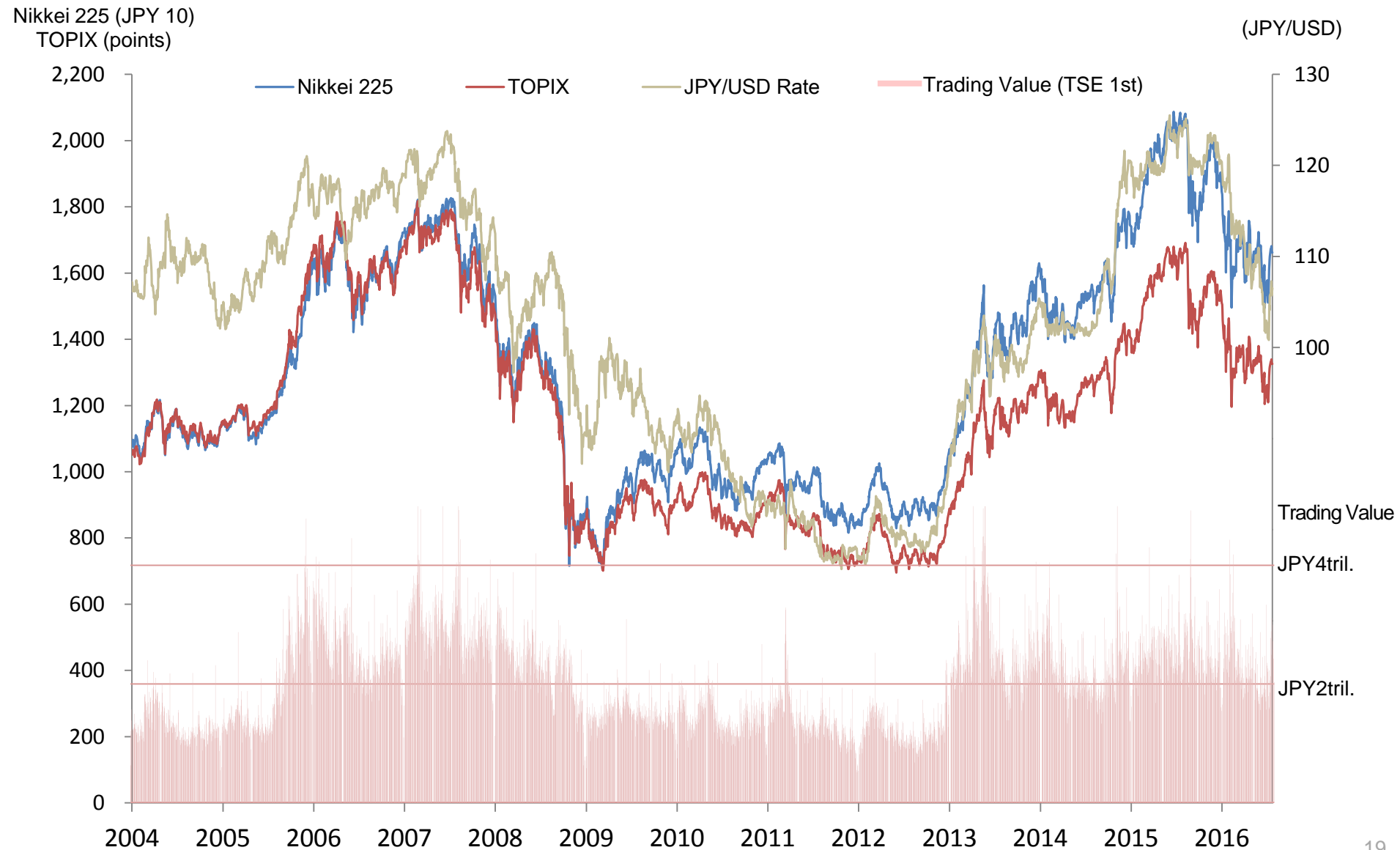
JPX Stock Price (JPY)  
Nikkei 225 (JPY 10)  
TOPIX (points)

Trading Volume  
(mil. shares)



Listed on both the TSE1st Section and JASDAQ from January 1 to July 15, 2013. Prices above are prices on the TSE1st Section. Trading volumes above are the total of those on TSE1st Section and JASDAQ. Two stock splits were conducted separately with respective effective dates of October 1, 2013 and October 1, 2015. Stock prices and trading volume before said stock splits were converted to reflect both events.

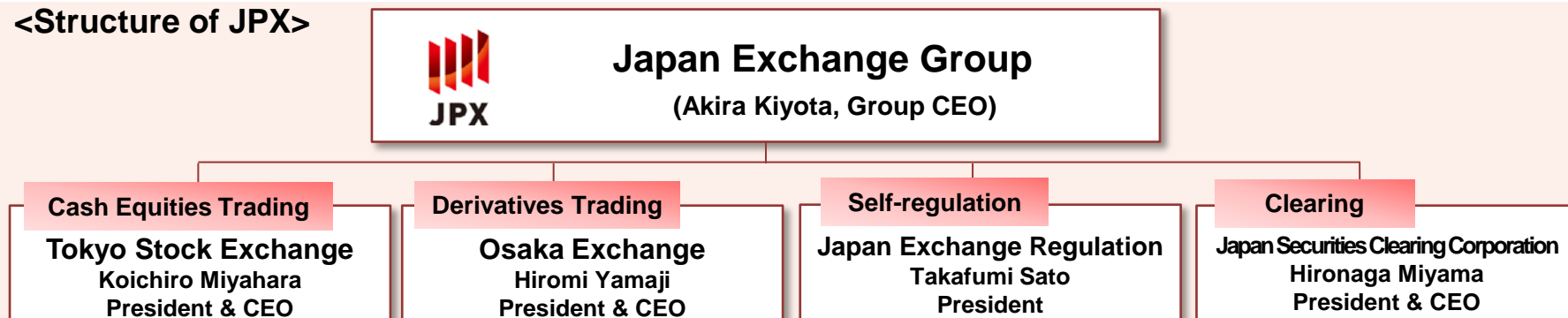
# Japanese Stock Market



# Outline of JPX Stock

Stock Code	8697
Listed Exchange	Tokyo Stock Exchange 1 <sup>st</sup> Section
Fiscal Year End	March 31
Annual General Shareholders Meeting	June
Record Date	Annual general shareholders meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30
Number of Shares in One Trading Unit	100 shares
Total number of shares issued	549,069,100 shares
Basic Policy on Profit Distribution	<p>JPX 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:</p> <ul style="list-style-type: none"> <li>• Maintaining sound financial health as a financial instruments exchange group,</li> <li>• Preparing for risks as a clearing organization, and</li> <li>• Enabling the group to pursue investment opportunities to raise the competitiveness of its markets as they arise.</li> </ul>

## <Structure of JPX>



# Disclaimer

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