



Overview of Earnings for Q3 FY2017

Japan Exchange Group, Inc.

January 31, 2018

I. Business Developments

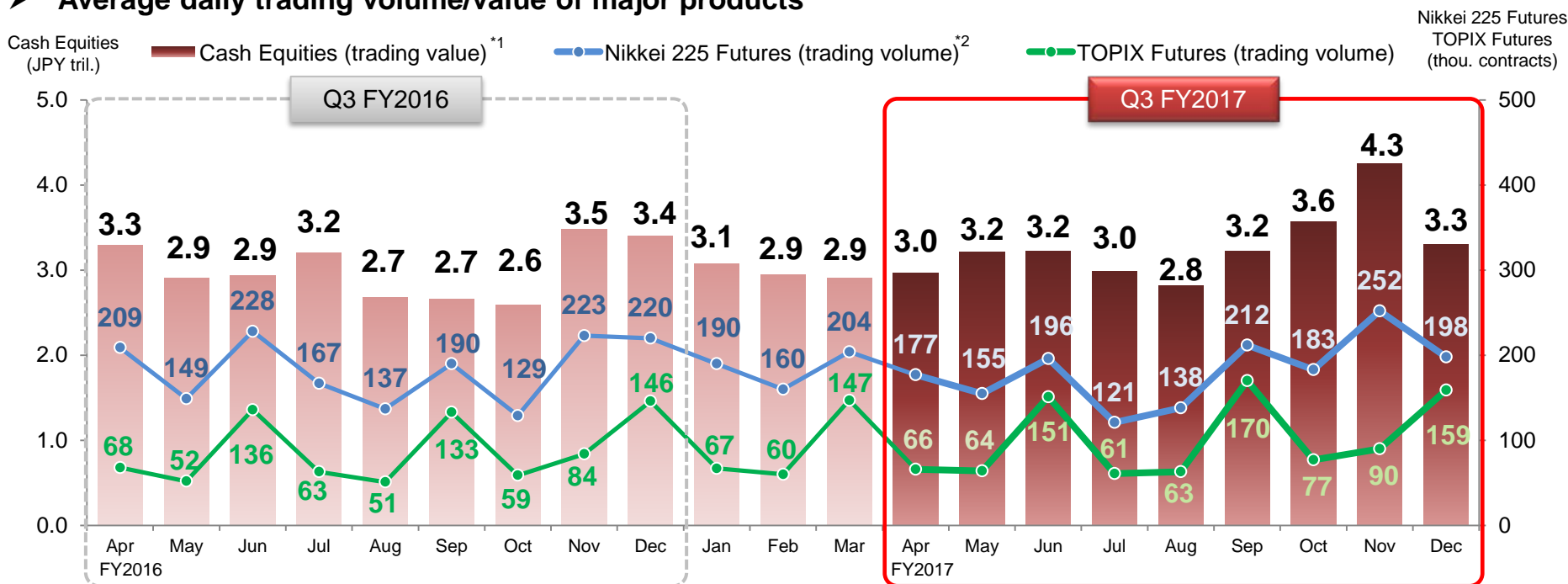
* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act. Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.



Market Trends

- Cash equities trading was active, as average daily trading value reached JPY 4.3 trillion in November. Average daily trading value over Q3 of FY2017 increased 9% year on year to approx. JPY 3.3 trillion.
- For derivatives trading, thanks to booming trading activity in cash equities from October, TOPIX Futures saw a rise of 13% year on year nearing 100,000 contracts, although trading in Nikkei 225 Futures dropped 1% year on year to approx. 181,000 contracts. Trading in 10-year JGB Futures increased 22% year on year to approx. 34,000 contracts.

➤ Average daily trading volume/value of major products



^{*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.

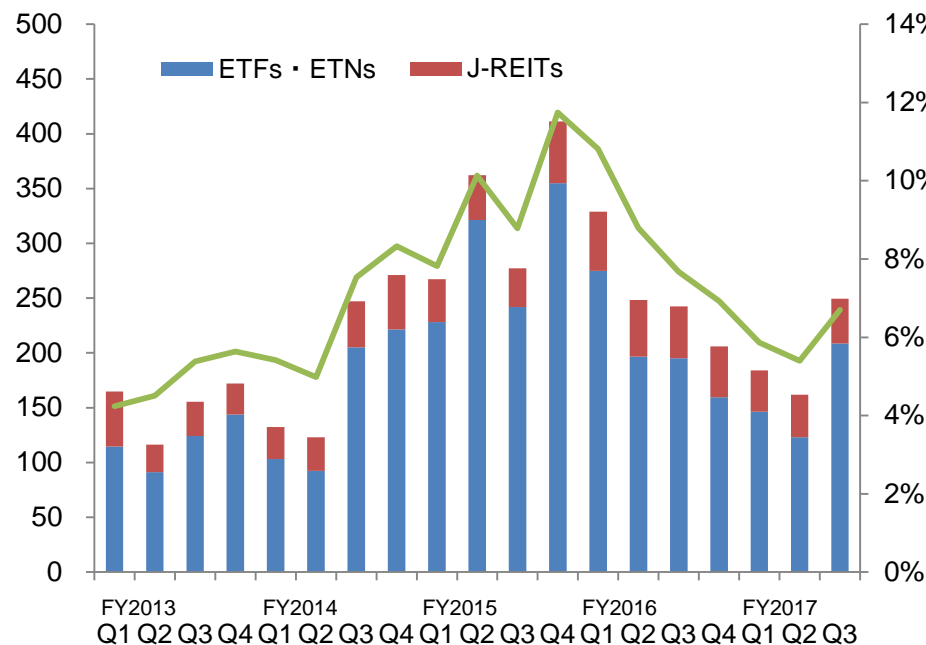
^{*2} Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

ETF / ETN and REIT Trends

- Average daily trading value and share of ETFs turned upward after the seven-quarter downward trend alongside an increase in trading of leveraged ETFs in November. However, trading value of ETFs/ETNs over Q3 of FY2017 decreased by 28% year on year.
- ETF AUM, mainly for ETFs tracking TOPIX, experienced steady increases.

➤ ADV of ETFs/ETNs and REITs

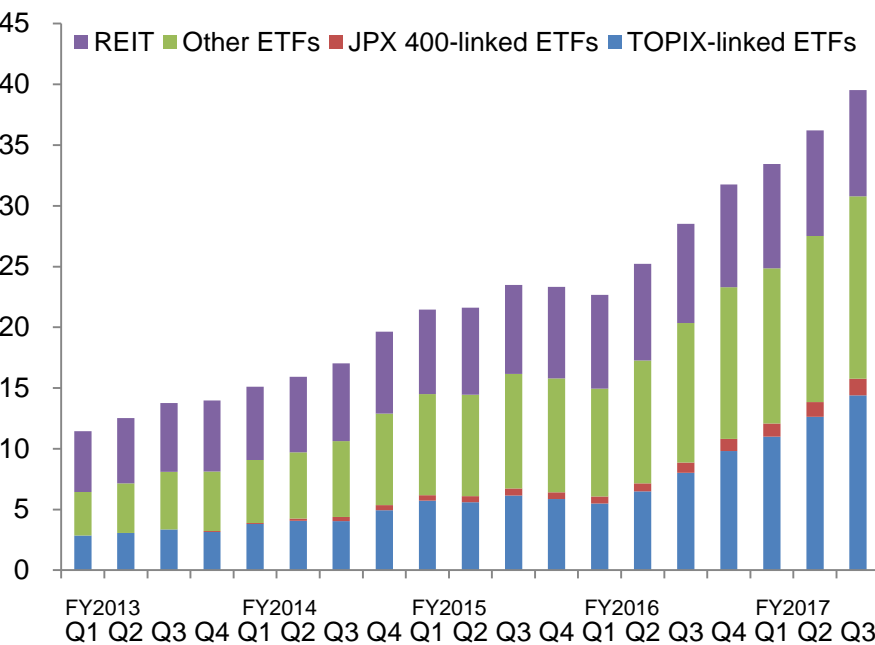
(JPY bil.)



Share indicates trading value of ETFs, ETNs, and REITs of overall cash equity trading value.

➤ ETF / REIT AUM

(JPY tril.)



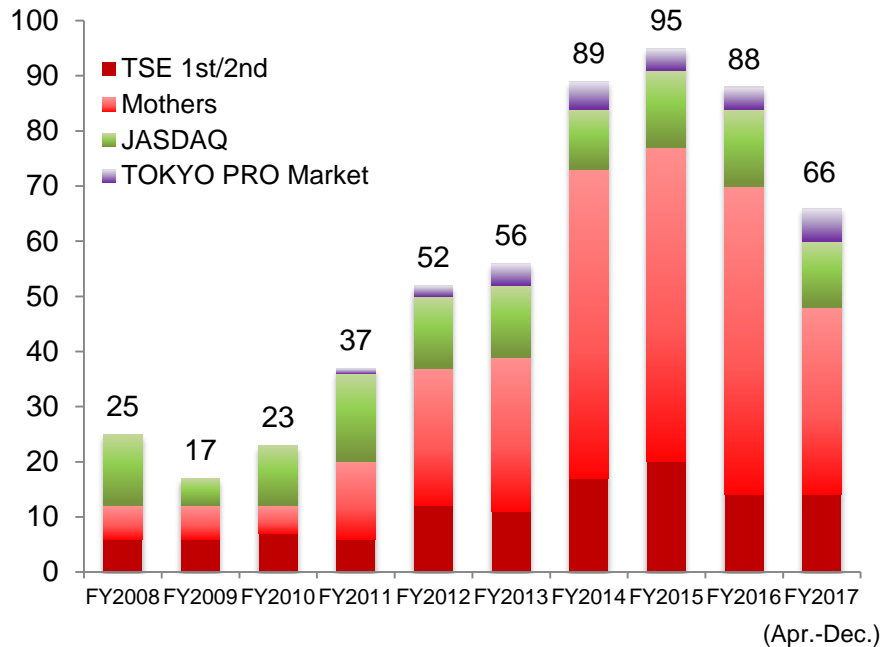
* Excludes foreign ETFs and REITs, as well as certain ETFs of different construction.

IPO / PO Trends

- The number of IPOs on TSE increased to 66 from 61 for the same period last year.
- The amount raised by listed companies and REITs year on year increased to approx. JPY 1.5 trillion from approx. JPY 1.4 trillion.

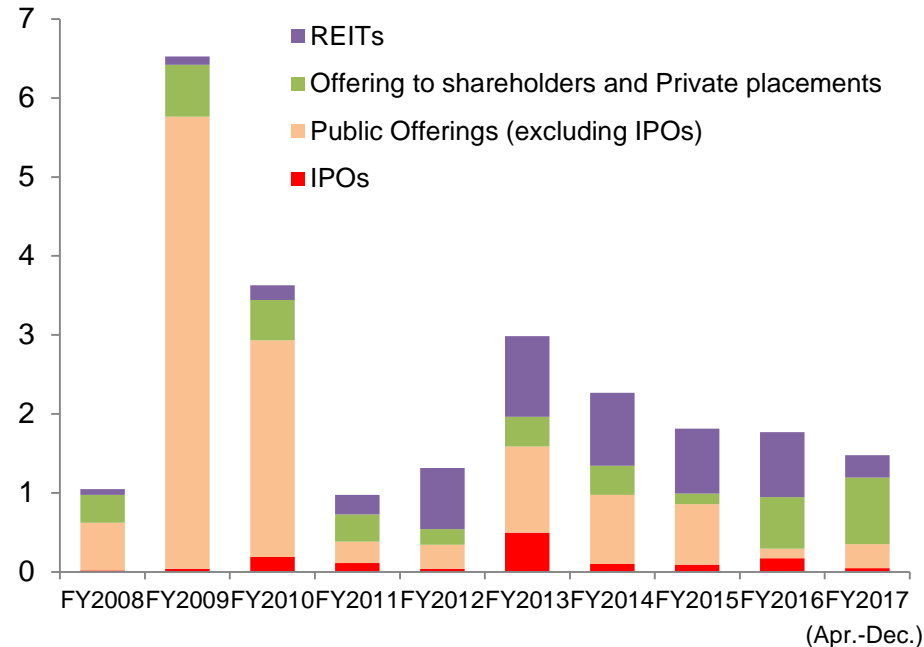
➤ IPOs on TSE markets

(companies)



➤ Financing by Listed Companies and REITs

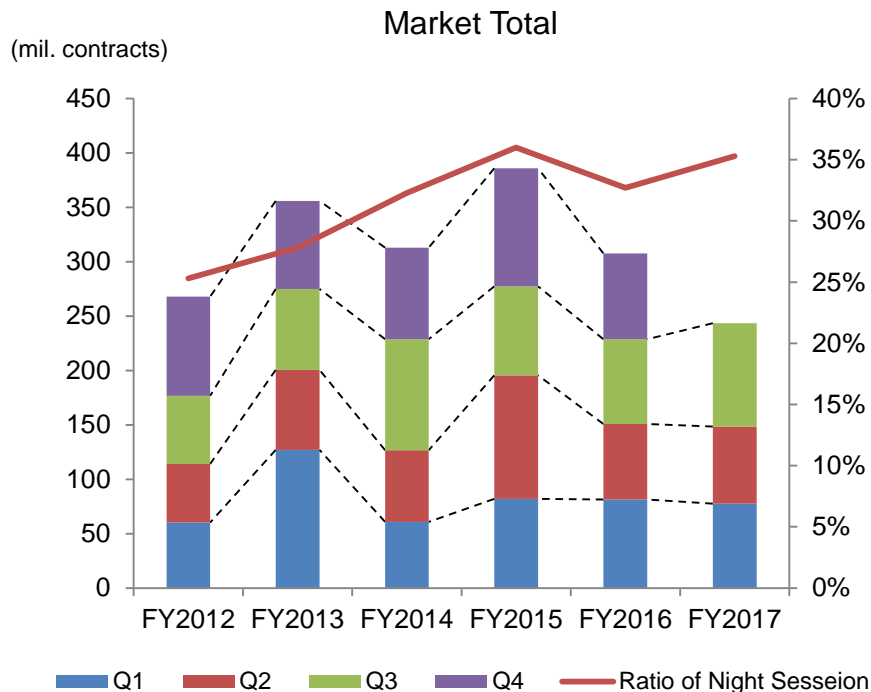
(JPY tril.)



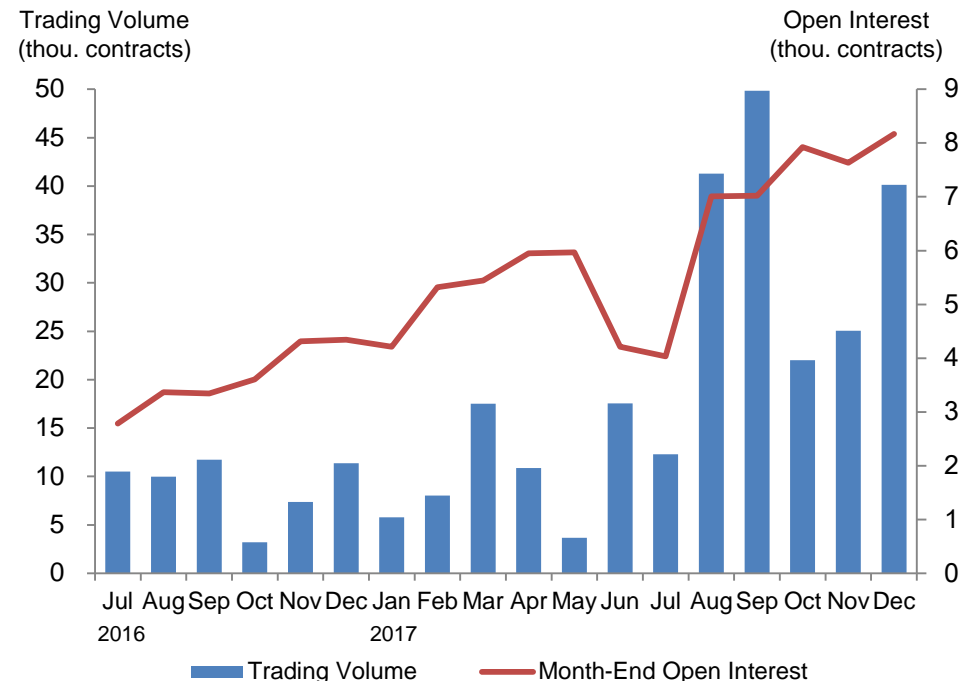
Derivatives

- Although there was a drop in trading in Nikkei 225 derivatives, increased trading in TOPIX Futures and 10-year JGB Futures contributed to a year-on-year increase of 7% for trading volume of all products. The ratio of night session trading remained high at 35%.
- Trading in TSE Mothers Index Futures, which was launched in 2016, exceeded 20,000 contracts every month from August and open interest increased steadily.

➤ Derivatives Trading Volume and Ratio of Night Session



➤ TSE Mothers Index Futures Trading Volume and Month-End Open Interest



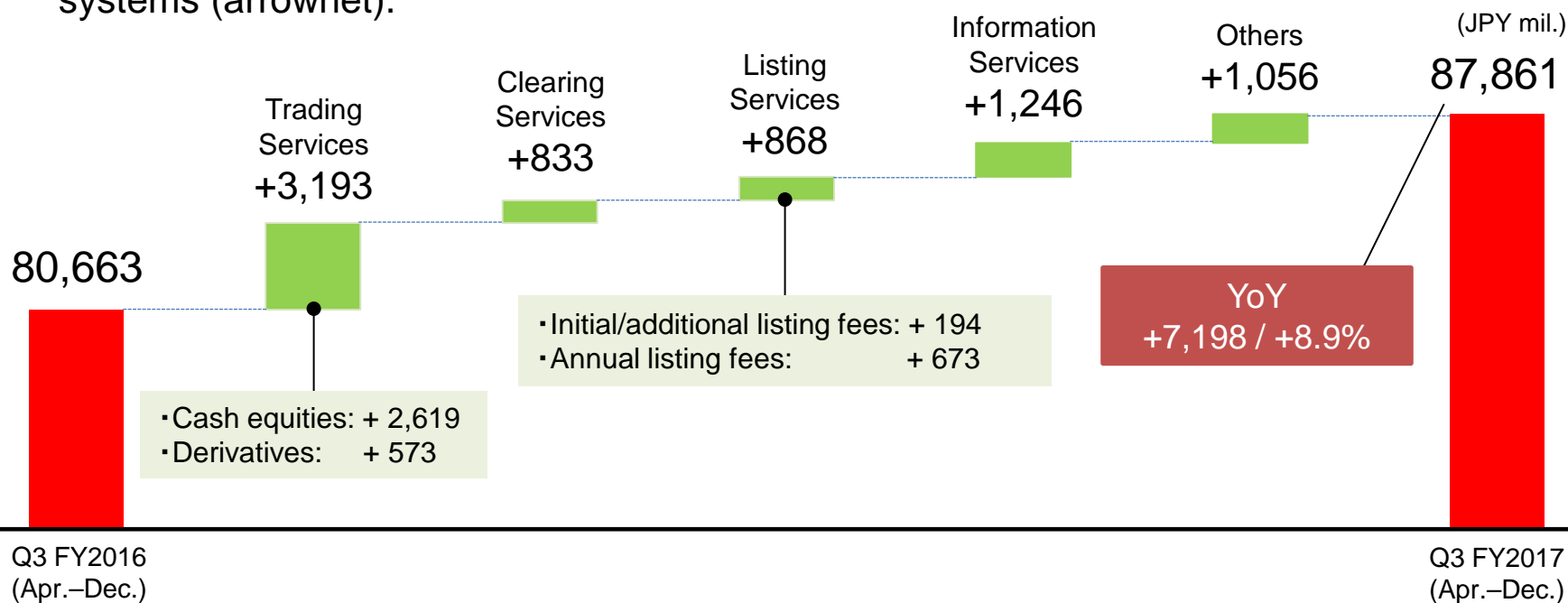
II. Overview of Earnings for Q3 FY2017 [IFRS]

(April 1, 2017 – December 31, 2017)



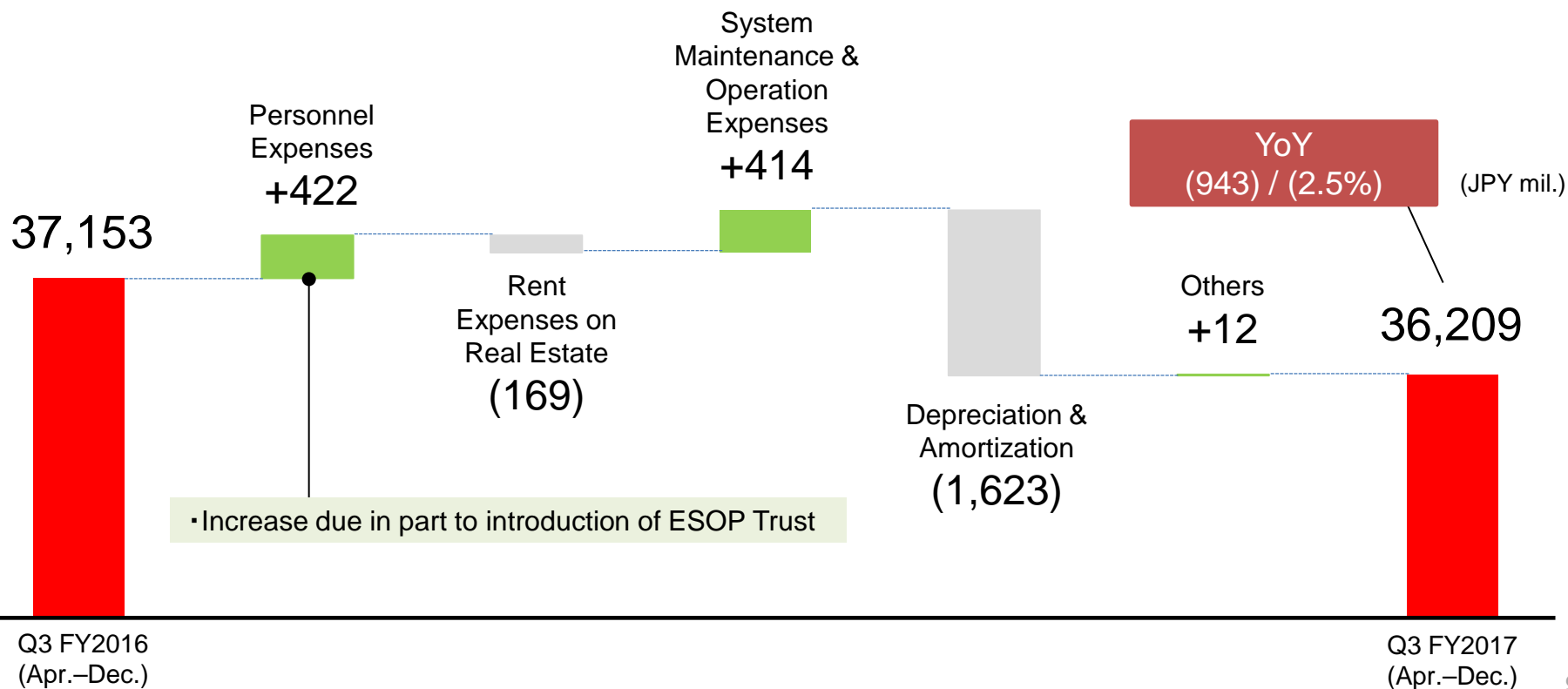
Operating Revenue

- As trading grew, revenues from trading services and clearing services increased.
- Revenues from listing services grew due to an increase in annual listing fees resulting from the growth in ETF NAV, the number of listed companies, and the market capitalization.
- Revenues from information services also grew due to a) an increase in market data fees resulting from higher market data usage and b) an increase in index licensing fees resulting from the growth in ETF NAV.
- Other operating revenues increased due in part to inflows from system provision to Tokyo Commodity Exchange (TOCOM) and expansion of usage of a network to connect to JPX systems (arrownet).



Operating Expenses

- Personnel expenses increased due in part to the introduction of the ESOP Trust system.
- System maintenance and operation expenses increased due mainly to an increase in costs to enhance system security and BCP.
- Depreciation and amortization decreased, because amortization of the old J-GATE system was accelerated up to the replacement by New J-GATE in July 2016.



Highlights and FY2017 Forecast

- Revenues from trading services, information services and others increased, while depreciation and amortization decreased. As a result, cumulative quarterly net income increased 16.8% year on year.

(JPY mil.)

	Q3 (April – December)				Full-year (April – March)		
	Q3 FY2016	Q3 FY2017			FY2016	FY2017 (Forecast)	
			y/y	FY2017 %		(Revised on Oct. 30)	y/y
Operating Revenue	80,663	87,861	+ 8.9%	79.9%	107,885	110,000	+ 2.0%
Operating Expenses	37,153	36,209	(2.5%)	71.0%	50,185	51,000	+ 1.6%
Operating Income	44,814	53,090	+ 18.5%	88.5%	59,377	60,000	+ 1.0%
Net Income* ¹	31,832	37,195	+ 16.8%	87.5%	42,124	42,500	+ 0.9%
EBITDA	54,312	61,006			71,595	-	-
Dividend per share* ²	-	-			JPY 47.0	JPY 48.0	+ JPY 1

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

*2 Total of Q2-end and year-end figures.

➤ Average Daily Trading Volume/Value of Major Products

	Q3 FY2016	Q3 FY2017		FY2016	FY2017(Assumptions for forecasts)	
	(Apr.- Dec.)	(Apr.- Dec.)	y/y		(Revised on Oct. 30)	y/y
Cash Equities (trading value) * ¹	JPY 3,007.8 bil.	JPY 3,279.7 bil.	+ 9%	JPY 2,998.6 bil.	JPY 3,000.0 bil.	+ 0%
TOPIX Futures (trading volume)	88,660 contracts	100,346 contracts	+ 13%	89,966 contracts	98,000 contracts	+ 9%
Nikkei 225 Futures (trading volume) * ²	183,899 contracts	181,196 contracts	(1%)	184,250 contracts	178,000 contracts	(3%)
Nikkei 225 Options (trading value) * ³	JPY 25.8 bil.	JPY 24.3 bil.	(6%)	JPY 24.8 bil.	JPY 21.5 bil.	(13%)
10-year JGB Futures (trading volume)	28,291 contracts	34,389 contracts	+ 22%	28,569 contracts	30,000 contracts	+ 5%

*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.

- A cancellation of treasury shares (12,717,652 common shares (2.32% of the total number of issued shares)) is scheduled for February 9, 2018. The total number of issued shares after the cancellation will be 536,351,448 shares.

Topics for Q3 (Oct. – Dec.)

Decision on Introduction of ETF Market Making Scheme

- TSE decided to introduce an ETF market making scheme to improve liquidity in the ETF market, due to be implemented around Jul. 2018. (Dec. 21)

Sample trading before/after scheme

< Before >			< After >		
Sell	Price	Buy	Sell	Price	Buy
5	6040		500	6040	
2	6030		400	6030	
	6020		350	6020	
	6010		300	6010	
	6000			6000	300
	5990			5990	400
	5980			5980	500
	5970	3		5970	550
	5960	4		5960	600

Joining SSE Initiative

- JPX joined the Sustainable Stock Exchanges (SSE) Initiative. (Dec. 6)
- SSE initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG (environmental, social, and corporate governance) issues and encourage sustainable investment.



Upcoming Launch of JPY-Denominated TOPIX Futures Contract on CME

- JPX and CME Group agreed to launch Japanese Yen-Denominated TOPIX Futures Contract on CME Globex. (Oct. 19)
- Trading will commence on Feb. 5, 2018.



Decision on Construction of New Secondary Data Center

- With the aim of guaranteeing further stability in operation of JPX markets, JPX decided to construct a new secondary data center in a location that is at a greater distance from the main data center based on the "Second Report of the Technical Committee on Exchange Transactions" published by the BCP Forum on April 20, 2017. (Nov. 30)

III. Reference Materials



Referential Financial Data

➤ Quarterly Business Performance

(JPY mil.)

	FY2016				FY2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating Revenue	26,721	26,161	27,780	27,222	27,876	27,885	32,099
Operating Expenses	13,069	12,523	11,559	13,032	11,968	12,015	12,224
Operating Income	14,348	13,909	16,555	14,562	16,440	16,368	20,282
Net Income *1	9,583	10,013	12,235	10,292	10,874	11,818	14,502
EBITDA	17,762	17,486	19,064	17,283	18,963	19,235	22,808

➤ Annual Business Performance

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017 (Apr. - Dec.)
Operating Revenue	113,846	106,167	114,776	107,885	87,861
Operating Expenses	59,244	52,863	50,925	50,185	36,209
Operating Income	53,343	53,529	66,271	59,377	53,090
Net Income *1	33,304	34,427	44,877	42,124	37,195
EBITDA	68,296	65,743	77,791	71,595	61,006

*1 Net income attributable to owners of the parent company. *2 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.

Referential Financial Data

➤ Quarterly Operating Revenue

(JPY mil.)

	FY2016				FY2017				
	Q1 (Apr.1, 2016– Jun. 30, 2016)	Q2 (Jul.1, 2016– Sep.30, 2016)	Q3 (Oct.1, 2016– Dec. 31, 2016)	Q4 (Jan.1, 2017– Mar.31, 2017)	Q1 (Apr.1, 2017– Jun. 30, 2017)	Q2 (Jul.1, 2017– Sep. 30, 2017)	Q3 (Oct.1, 2017– Dec. 31, 2017)		
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Ratio	y/y
Trading services revenue	11,671	10,843	11,822	11,365	11,945	11,727	13,857	43%	+ 17%
Transaction Fees	9,338	8,569	9,535	9,080	9,626	9,416	11,506		+ 21%
Cash Equities	6,679	6,186	6,725	6,577	7,091	6,963	8,165	71%*1	+ 21%
Derivatives	2,659	2,382	2,809	2,502	2,535	2,453	3,340	29%*1	+ 19%
TOPIX Futures	438	426	497	479	491	496	550		+ 11%
Nikkei 225 Futures (incl. mini)	1,061	970	1,130	1,069	1,044	942	1,277		+ 13%
Nikkei 225 Options *2	768	623	835	606	621	581	1,009		+ 21%
10-year JGB Futures	331	330	326	340	353	409	451		+ 38%
Others	59	32	19	6	24	23	50		+ 161%
Basic Fees	260	260	261	261	262	262	261		(0%)
Access Fees	1,321	1,250	1,212	1,201	1,225	1,189	1,211		(0%)
Trading System Facilities Usage Fees	728	743	791	801	809	837	850		+ 7%
Others	23	19	21	20	20	21	27		+ 32%
Clearing services revenue	5,573	5,292	5,610	4,977	5,664	5,311	6,335	20%	+ 13%
Listing services revenue	2,710	3,320	3,326	3,545	2,768	3,263	4,194	13%	+ 26%
Initial/Additional Listing Fees	675	1,259	1,104	1,277	520	1,005	1,709		+ 55%
Annual Listing Fees	2,034	2,060	2,221	2,268	2,248	2,258	2,484		+ 12%
Information services revenue	4,491	4,465	4,466	4,688	4,862	4,871	4,935	15%	+ 11%
Other operating revenue	2,274	2,238	2,554	2,644	2,635	2,711	2,776	9%	+ 9%
arrownet Usage Fees	672	705	733	737	769	785	779		+ 6%
Co-location Usage Fees	873	787	783	789	841	855	894		+ 14%
Others*3	728	744	1,037	1,117	1,024	1,070	1,102		+ 6%
Total	26,721	26,161	27,780	27,222	27,876	27,885	32,099	100%	+ 16%

*1 Figures are indicate percentage of Transaction Fees.

*2 Excluding Weekly Options.

*3 Including Proximity Usage Fees.

Referential Financial Data

➤ Annual Operating Revenue

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017 (Apr. - Dec.)	
Trading services revenue	54,155	48,698	52,471	45,703	37,530	43%
Clearing services revenue	20,334	20,092	23,140	21,454	17,310	20%
Listing services revenue	12,308	12,249	13,250	12,903	10,226	12%
Information services revenue	16,116	16,311	17,706	18,112	14,669	17%
Other operating revenue	10,931	8,815	8,208	9,711	8,123	9%
Total	113,846	106,167	114,776	107,885	87,861	100%

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

*2 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013

Referential Financial Data

➤ Quarterly Operating Expenses

(JPY mil.)

	FY2016				FY2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Personnel expenses	3,684	3,808	3,662	4,459	3,893	3,768	3,915
System maintenance & operation expenses	3,064	2,596	2,446	2,705	2,630	3,014	2,877
Depreciation & amortization	3,180	3,043	2,301	2,458	2,312	2,289	2,299
Rent expenses on real estates	1,131	1,000	962	968	970	977	976
Other	2,008	2,075	2,187	2,440	2,161	1,965	2,156
Total	13,069	12,523	11,559	13,032	11,968	12,015	12,224

➤ Annual Operating Expenses

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017 (Apr. - Dec.)
Personnel expenses	15,101	15,265	16,437	15,614	11,577
System maintenance & operation expenses	11,642	9,947	11,923	10,813	8,522
Depreciation & amortization	13,413	10,803	9,973	10,983	6,901
Rent expenses on real estates	5,900	5,959	4,620	4,062	2,924
Other	13,185	10,888	7,970	8,711	6,283
Total	59,244	52,863	50,925	50,185	36,209

*1 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.

*2 From FY2015, a portion of subsidiary Tosho System Service expenses are now included under "System maintenance & operation expenses" rather than "Other".

Referential Financial Data

➤ Consolidated Statement of Financial Position

	As of Mar. 31,2017	As of Dec. 31,2017
Assets		
Current assets		
Cash and cash equivalents	73,553	58,759
Trade and other receivables	9,774	14,504
*1 Clearing business financial assets	37,555,555	34,365,004
*2 Specified assets for deposits from clearing participants	3,374,863	3,259,702
*3 Specified assets for legal guarantee funds	474	495
Income tax receivables	8,507	6,456
Other financial assets	73,800	84,600
Other current assets	1,626	2,218
Total current assets	41,098,156	37,791,741
Non-current assets		
Property and equipment	5,140	5,364
Goodwill	67,374	67,374
Intangible assets	30,596	32,447
Retirement benefit assets	5,202	5,161
Investments accounted for using the equity method	8,809	9,836
*5 Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	36,275	37,951
Other non-current assets	5,793	5,813
Deferred tax assets	3,635	3,621
Total non-current assets	190,775	195,519
Total assets	41,288,932	37,987,261

*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.

	As of Mar. 31,2017	As of Dec. 31,2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	3,190	4,779
Bonds and loans payable	22,500	32,500
*1 Clearing business financial liabilities	37,555,555	34,365,004
*2 Deposits from clearing participants	3,374,863	3,259,702
*3 Legal guarantee funds	474	495
*4 Trading participant security money	8,142	7,402
Income tax payables	9,210	7,806
Other current liabilities	5,339	6,578
Total current liabilities	40,979,276	37,684,269
Non-current liabilities		
Bonds and loans payable	29,933	19,938
Retirement benefit liabilities	7,357	7,629
Other non-current liabilities	3,693	3,133
Deferred tax liabilities	4,900	5,112
Total non-current liabilities	45,884	35,814
Total liabilities	41,025,161	37,720,083
Equity		
Share capital	11,500	11,500
Capital surplus	59,722	59,720
Treasury shares	(13,506)	(20,957)
Other components of equity	11,604	11,995
*6 Retained earnings	188,634	198,891
Total equity attributable to owners of the parent company	257,955	261,149
Non-controlling interests	5,815	6,028
Total equity	263,770	267,177
Total liabilities and equity	41,288,932	37,987,261

Major Product Data

➤ Trading Volume/Value

	FY2016				FY2017		
	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)	Q3 (Oct. 1, 2016– Dec. 31, 2016)	Q4 (Jan. 1, 2017– Mar. 31, 2017)	Q1 (Apr. 1, 2017– Jun. 30, 2017)	Q2 (Jul. 1, 2017– Sep. 30, 2017)	Q3 (Oct. 1, 2017– Dec. 31, 2017)
Trading Value of Cash Equities (JPY mil.)							
TSE 1st/2nd Section *1	149,927,942	151,897,987	169,767,175	158,600,881	171,062,156	164,715,133	201,603,224
Mothers *1	12,553,461	5,481,621	5,285,439	6,691,962	7,966,933	6,187,748	6,629,270
JASDAQ *1	3,007,765	2,360,710	2,892,175	3,364,573	3,989,261	5,041,366	5,572,163
ETFs/ETNs and REITs etc. *2	20,067,756	15,399,947	14,794,360	12,560,957	11,753,106	10,040,266	15,461,477
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)							
TOPIX Futures	5,356,506	5,042,339	5,914,516	5,728,191	5,923,582	5,999,667	6,741,170
Total Nikkei 225 Futures/mini *3	12,015,630	10,163,636	11,658,150	11,303,925	10,954,359	9,714,897	13,033,117
Nikkei 225 Futures	6,442,034	5,454,262	6,403,675	5,741,396	5,623,843	5,107,803	6,581,453
Nikkei 225 mini	55,735,969	47,093,746	52,544,759	55,625,293	53,305,166	46,070,943	64,516,648
Nikkei 225 Options (JPY mil.) *4	1,751,195	1,258,955	1,743,221	1,328,324	1,308,324	1,138,990	2,072,404
10-year JGB Futures	1,744,496	1,741,404	1,719,661	1,793,935	1,861,187	2,155,128	2,380,015

➤ Average Daily Trading Volume/Value

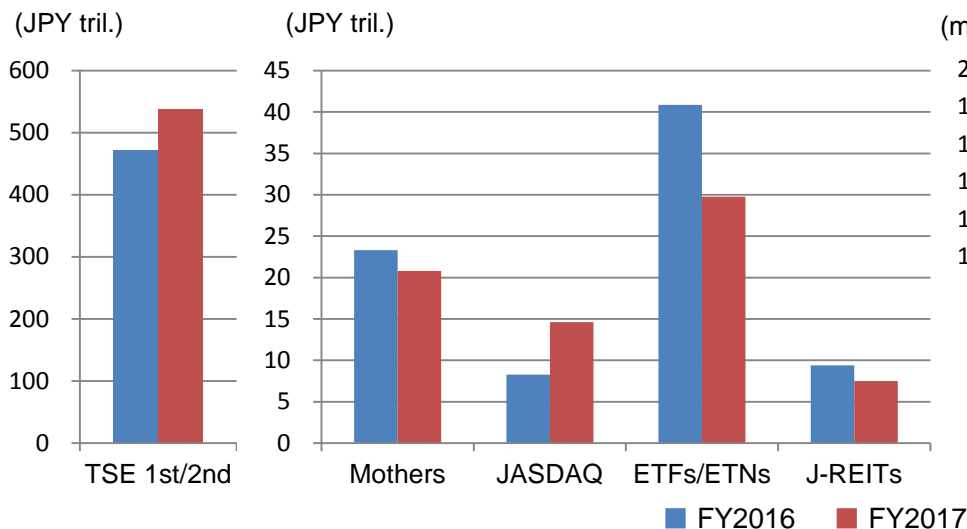
	FY2016				FY2017		
	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)	Q3 (Oct. 1, 2016– Dec. 31, 2016)	Q4 (Jan. 1, 2017– Mar. 31, 2017)	Q1 (Apr. 1, 2017– Jun. 30, 2017)	Q2 (Jul. 1, 2017– Sep. 30, 2017)	Q3 (Oct. 1, 2017– Dec. 31, 2017)
Trading Value of Cash Equities (JPY mil.) *5	3,041,917	2,824,872	3,159,659	2,970,794	3,141,476	2,999,770	3,697,841
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)							
TOPIX Futures	87,812	81,328	96,959	93,905	95,542	96,769	108,729
Total Nikkei 225 Futures/mini *3	196,978	163,930	191,117	185,310	176,683	156,692	210,212
Nikkei 225 Futures	105,607	87,972	104,978	94,121	90,707	82,384	106,152
Nikkei 225 mini	913,704	759,577	861,389	911,890	859,761	743,080	1,040,591
Nikkei 225 Options (JPY mil.) *4	28,708	20,306	28,577	21,776	21,102	18,371	33,426
10-year JGB Futures	28,598	28,087	28,191	29,409	30,019	34,760	38,387

*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.

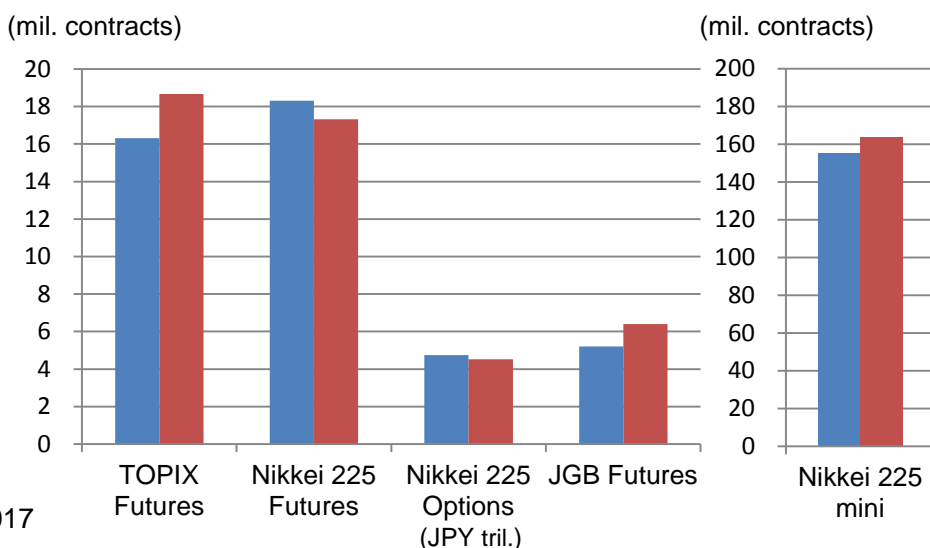
*4 Excluding Weekly Options. *5 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

Major Product Data

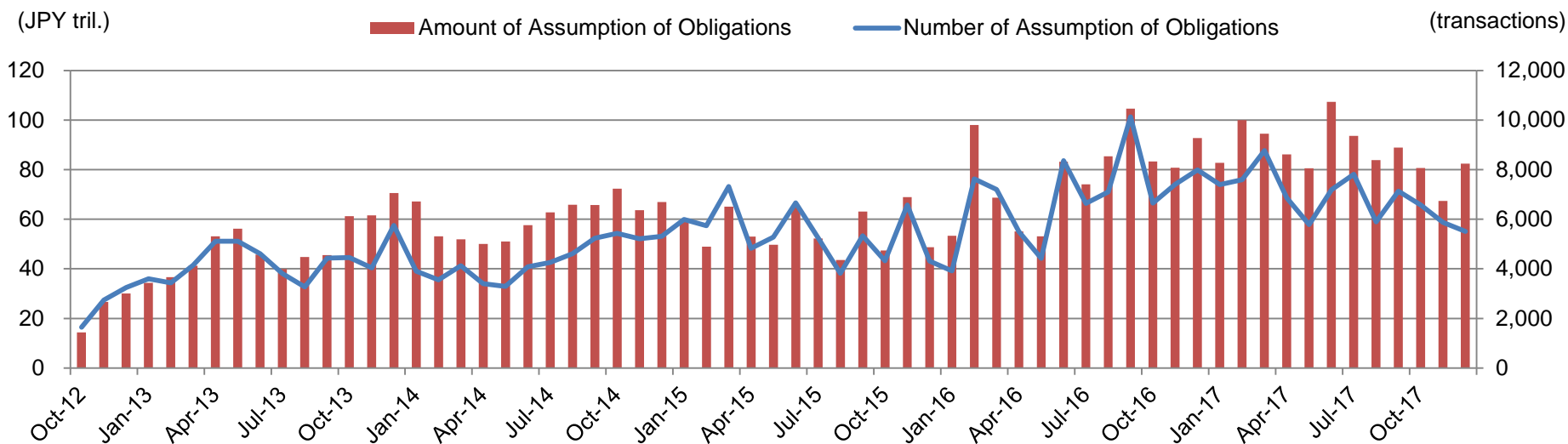
➤ Trading Value for Cash Equities in Q1 thru Q3



➤ Trading Volume for Derivatives in Q1 thru Q3

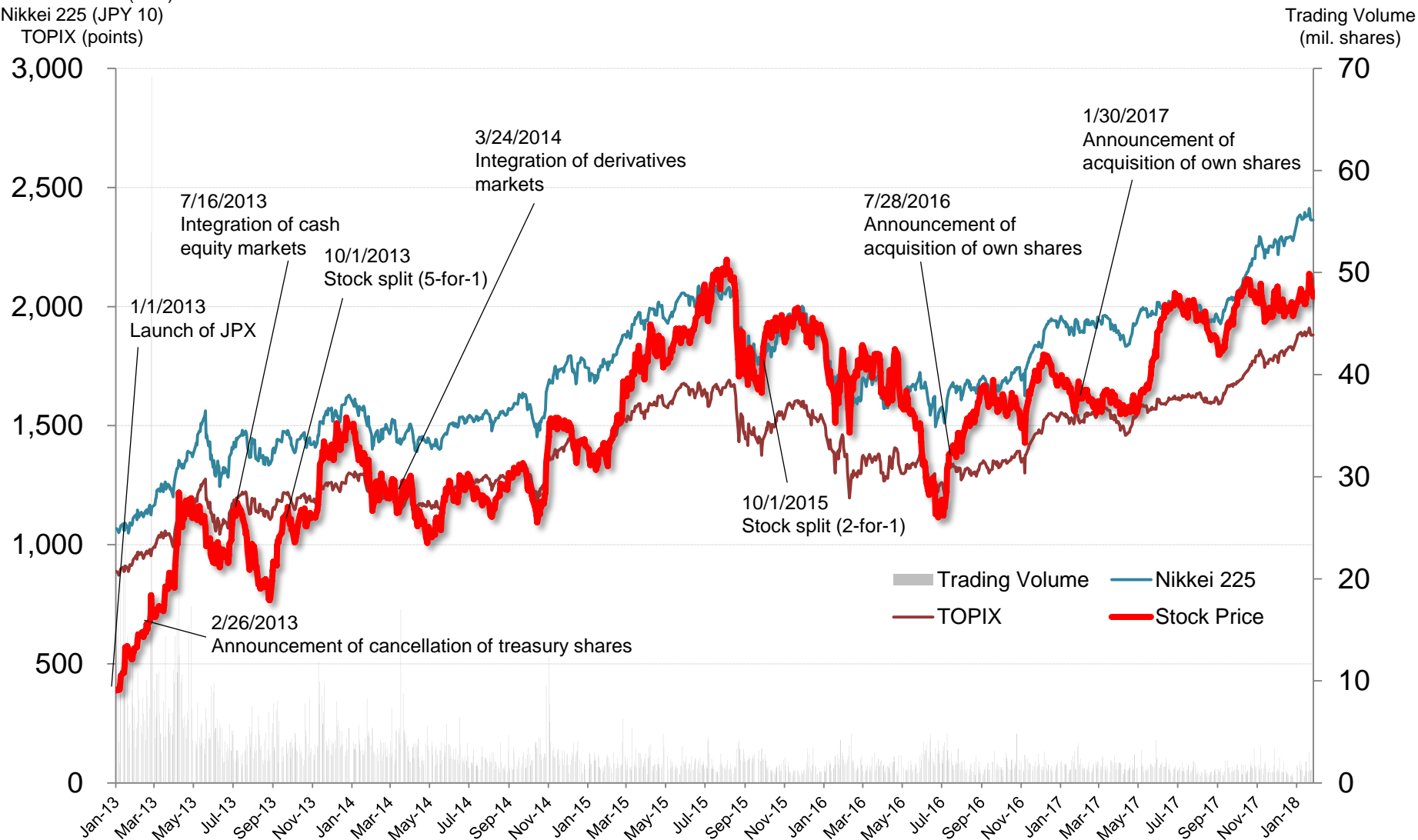


➤ Number and Amount of Assumption of Obligations (Interest Rate Swaps)



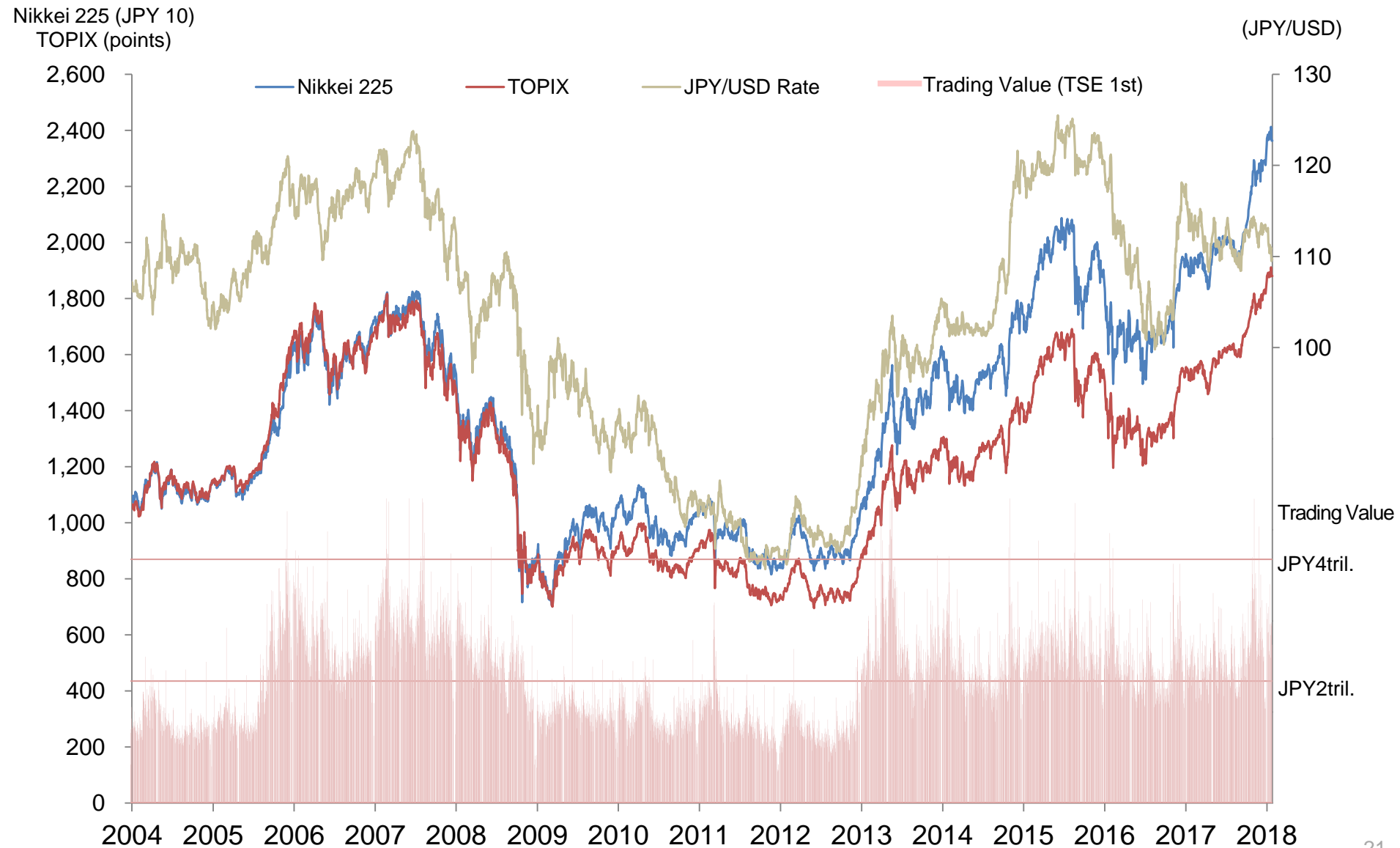
JPX Stock Price

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



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.

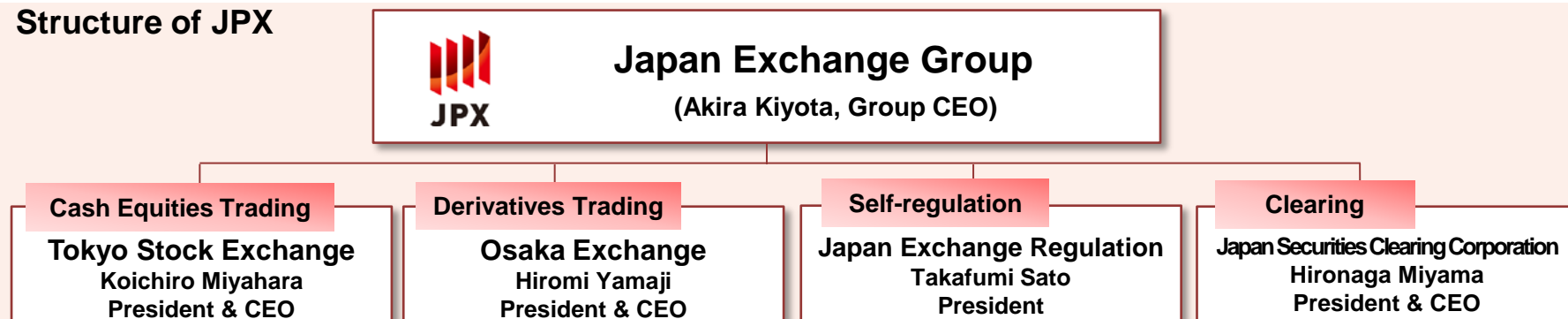
Japanese Stock Market



Outline of JPX Stock

Stock Code	8697
Listed Exchange	Tokyo Stock Exchange 1st 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	536,351,448 shares (as of February 9, 2018)
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"> • 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.

Structure of JPX



Disclaimer

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