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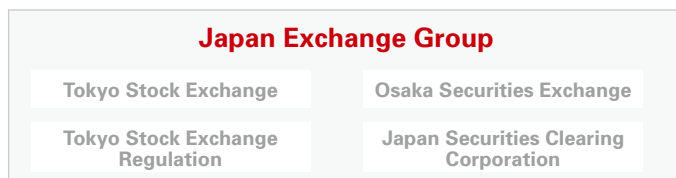
## Disclaimer

These materials are prepared solely for the purpose of providing information regarding Japan Exchange Group Inc., and as such, they are not intended as any offer or sale of securities or other similar action whether inside or outside Japan. Our securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

These materials contain forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.

## Profile

On January 1, 2013, Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange Co., Ltd. conducted a business combination to form the new Japan Exchange Group, Inc. (JPX). As a leading exchange group within Asia, JPX supports domestic economic growth and development of the global financial market through the operations of its financial instruments exchanges, self-regulatory organization, and other related institutions.



### Corporate Philosophy

Our mission is to contribute to the realization of an affluent society by promoting continuous development of the market by ensuring our public nature and credibility, constructing the foundation of the market which is highly convenient, efficient and transparent, and providing creative and attractive services. Our efforts bring rewards in the form of profits resulting from the increased support and confidence of investors and other market users. This corporate philosophy represents the goals and values that we aim to achieve when conducting corporate activities and lies at the foundation of business plan development and management decision making. All directors, executive officers, and employees are guided by this philosophy in their actions.

### Future Vision

## Your Exchange of Choice

**Our vision is to become a creative exchange, which is the most preferred in Asia, offering high-quality services with public nature and reliability**

### Creed (Four "C"s)

#### Customer First— The Customer Comes First

In order to understand the needs of various stakeholders and to maximize the sum of customer satisfaction, we always think from the customer's viewpoint and continue to look for optimum solutions.

#### Creativity— Pursuit of Creativity

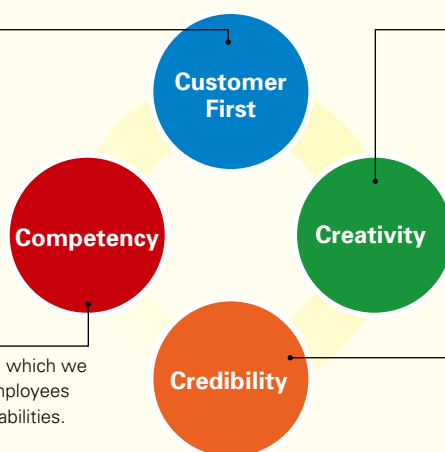
For the purpose of strengthening global competitiveness and improving customer convenience, we work on offering creative products and services with the spirit and passion for a challenge, without fear of failure.

#### Competency— Display of Employee Ability

We maintain a working environment in which we can utilize the diversity of individual employees and they can display the most of their abilities.

#### Credibility— Securing Social Credibility

While we stably operate markets with a high degree of fairness and transparency on a daily basis, we also construct a highly reliable social infrastructure that achieves strong competitiveness, stability, convenience, and cost efficiency.



## Diversified Business Model

JPX develops high added-value business via vertical integration of listing, trading, clearing, settlement and information services.



\*1 This trade name is scheduled to be changed to "Osaka Exchange, Inc." in March 2014.

\*2 This corporate name is scheduled to be changed to "Japan Exchange Regulation" in April 2014.

▭ Subsidiary    ▨ Equity-method affiliate

# To Our Shareholders, Investors, and Stakeholders

On January 1, 2013, we began anew as Japan Exchange Group (JPX) following the business combination between Tokyo Stock Exchange Group and Osaka Securities Exchange. We will seek to quickly generate synergies as JPX in our aspirations toward becoming the most preferred exchange in the Asian region.

Director & Representative  
Executive Officer, Group CEO  
**Atsushi Saito**



## A New Beginning as JPX

On January 1, 2013, we began anew as Japan Exchange Group (JPX) following the business combination between Tokyo Stock Exchange Group and Osaka Securities Exchange.

As cross-border market competition becomes increasingly intense, to maintain Japan's status as a leading global financial center, we must continue to remain a preferred market for global investors by offering a highly convenient execution environment and attractive investment opportunities. I firmly believe that the business combination is crucial toward reinforcing our foundations to ensure that we prevail over the competition.

As Japan's leading exchange group, JPX continuously strives to enhance its cash equity and derivatives trading, clearing, and settlement functions to invigorate the domestic economy and thereby contribute to Asian economic growth as it reaches a historical turning point.

At JPX, we put together a new management team following our annual general shareholders meeting in June. Other than appointing 8 outside directors to our 14-member board, we brought in Messrs. Akira Kiyota (former Honorary Chairman, Daiwa Securities Group), Hiromi Yamaji (former Executive Managing Director, Nomura Securities), and Takafumi Sato (former Commissioner, Financial Services Agency of Japan) to respectively assume the top positions at core subsidiaries Tokyo Stock Exchange, Osaka Securities Exchange, and Tokyo Stock Exchange Regulation. This new management team will lead us toward achieving our aspirations on global expansion as Japan's premier exchange group.

Under the stewardship of the new management team, JPX will conduct our business based on a corporate philosophy shared throughout the group and expressed by the 4 Cs—Customer First (prioritize customer needs), Credibility (build public confidence), Creativity (pursue innovative solutions), and Competency (harness employee potential)—as we strive to foster a corporate culture of efficiency and creativity.

## **Toward Becoming the Most Preferred Exchange in the Asian Region**

In the wake of the Lehman Shock, developed nations have repeatedly launched fiscal stimulus packages among other economic measures. With the burden on government finances due to such measures being a source of concern for global economic growth, the dynamism and vitality of emerging economies have come to the fore in sustaining the global economy. Today Asia already makes up about 60% of the world's population. With the prospect of a huge increase in Asian domestic consumption, I have no doubt that the region will remain a global growth engine going forward.

Over the years, Japan has played a key role in bridging Asia and the global financial markets as the most established financial market in the region. Armed with our expertise in linking Asia and the world and the approximately ¥1,500 trillion in Japanese household financial assets, we at JPX will seek to play our part in the global economy through contributing to Asian economic growth.

With this in mind, we established a corporate vision to become the most preferred exchange in the Asian region that offers creative and high-quality services with a commitment to the public interest and reliability, and announced our first 3-year medium-term management plan as JPX toward realizing the vision.

We will strive to secure an overall competitive edge in aspects such as reliability, liquidity, and market size such as total market capitalization to consolidate our position as a leading global financial center in Asia.

## **Realizing a Swift Combination**

"Creation of a new Japanese stock market," "Expansion of the derivatives market," and "Expansion of exchange business fields" are set forth as the key strategies of our medium-term management plan and priority is also placed on efforts to facilitate early realization of integration benefits. The first step was taken on July 16 with the successful integration of the cash equity market and our clearing and self-regulatory operations. Preparations are also underway for the derivatives market integration planned for March 2014. We recognize that the most important factor for the success of any merger is speed. This is why we will work to swiftly integrate our systems and functions so that we can quickly realize synergies from the business combination.

## **FY2012 Corporate Results and Shareholder Returns**

Our corporate results for FY2012\* were operating revenue of ¥82.5 billion, operating expenses of ¥59.6 billion, operating income of ¥22.8 billion, and net income of ¥12.9 billion. With this revenue and income base, we will expand our business lines according to the strategies laid out in our medium-term management plan. At the same time, we will work to expand operating revenue by ¥8 billion through generating synergies and launching new business initiatives, and reduce operating expenses by more than ¥8.5 billion through consolidating overlapping systems and raising group operation efficiency. Our target is to raise ROE to around 14% through these efforts.

In terms of shareholder returns, based on our policy of stable and continuous dividend payment, our dividend payout ratio is targeted at approximately 40% as we continue to place importance on enhancing competitiveness as an exchange and recognize the importance of maintaining internal reserves for provisions against risks as a clearing organization.

In addition, JPX conducted a 5-for-1 stock split with an effective date of October 1, 2013 to reduce the minimum investment amount and enlarge our investor base.

\* Reference figures totaling the consolidated financial results of JPX and the financial results for the first half of FY2012 of Osaka Securities Exchange Co., Ltd. prior to the business combination.

## **Toward Fulfilling our Social Mission**

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Even before JPX was launched as a public company in January, we have continued to fulfill our social mission as a market operator. Since FY2011, we have held promotional events under the “+YOU” project in support of the Japanese economy aimed at encouraging the flow of Japanese household financial assets into long-term funding for companies that are attractive and have high growth potential. At the same time, we have ventured overseas on stock caravans to provide institutional investors with information on companies that remain relatively unknown beyond Japan. Even as the remarkable economic growth of emerging countries in Asia becomes the focus of attention, Japanese companies continue to play an extremely important role in the global economy because the key components and functions that they supply are not available elsewhere. It follows that we can expect to benefit from Asian growth through investing in Japanese companies. At JPX, we hope to communicate the appeal and quality of Japanese companies to all investors and hence contribute to the growth of the Asian and the world economy.

Furthermore, we recognize that a market must be fair and reliable for investors to participate with confidence. Based on the firm belief that the fairness and reliability of the market reflects on our overall quality as an exchange and are key factors for the sustainability of the market, JPX is equipped with self-regulatory functions to ensure that market quality is maintained at the highest possible level. This is also one of our inherent strengths. Moving forward, JPX will continue to examine ways to prevent unfair acts and enhance listed company corporate governance in our commitment toward providing all investors with an environment in which they can participate with confidence.

In the course of steadily implementing the key strategies laid out in our medium-term management plan, we at JPX will channel our efforts into fulfilling our medium-to-long term social mission and conducting business with an emphasis on stability and creativity. We hope to have the continued understanding of our shareholders in our endeavors.

October 2013

**Atsushi Saito**

Director & Representative Executive Officer,  
Group CEO

# Corporate Governance

## Fundamental Approach

Our mission is to serve as Japan's central financial instruments market—a vital element of public infrastructure. Through the fulfillment of the missions of its financial instruments exchange and self-regulatory subsidiaries, JPX seeks to secure stable income while maintaining the balance between its public nature and profitability.

Our fundamental approach toward corporate governance is tied to the provision of a highly liquid and reliable securities market and we adhere to the following principles:

- Increase the transparency of management by clarifying the authorities and responsibilities of each corporate body and exercise accountability;
- Reflect the opinions of investors and a wide variety of other stakeholders in the management and operation of the market; and
- Provide appropriate self-regulation functions by ensuring impartial decision-making free from the influence of particular stakeholders.

## Adoption of a Company with Committees System

We adopt a company with committees system in order to clarify the authority and responsibilities involved in management oversight and business execution. Specifically, three committees consisting mainly of outside directors—a nomination committee, an audit committee, and a compensation committee—are established, executives responsible for executing business activities are assigned, and the management oversight and business execution functions are separated.

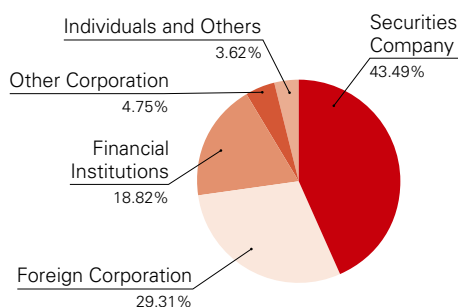


## JPX's Shareholders (as of March 31, 2013)

### Major Shareholders

Name of Shareholder	No. of Shares Held (shares)	Percentage (%)
State Street Bank and Trust Company (standing proxy: The Hongkong and Shanghai Banking Corporation, Tokyo Branch)	2,553	4.65
SMBC Friend Securities Co., Ltd.	1,515	2.76
Japan Trustee Services Bank, Ltd. (Trust Account)	1,453	2.65
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,160	2.11
Mizuho Securities Co., Ltd.	1,097	2.00
AIZAWA SECURITIES CO., LTD.	817	1.49
Securities Japan, Inc.	798	1.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	761	1.39
Okachi Securities Co., Ltd.	757	1.38
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	755	1.38

### Distribution of Shareholders





## Highly Independent Outside Directors Occupy Majority of the Board

The majority of our Board of Directors, which monitors and oversees the management, is composed of outside directors (8 outside directors of 14 total directors (refer to the chart below)).

These outside directors include executives of other listed companies, legal professionals, certified public accountants, and academics. Taking advantage of the considerable experience and insight in their respective areas of expertise, outside directors oversee decisions on our company's important management matters and business execution through their activities at the Board of Directors as well as Nomination, Compensation and Audit Committees.

There are no special personal relationships, capital ties, or business connections between the outside directors and us.

Name	Attribute
Tsutomu Okuda	From other company
Yuko Kawamoto	Academic
Hideaki Kubori	Attorney-at-law
Hiroyuki Nakatsukasa	Certified Public Accountant

Name	Attribute
Katsuhiko Honda	From other company
Kunihiro Matsuo	Attorney-at-law
Shigeru Morimoto	Academic
Charles Ditmars Lake II	From other company

## Director Remuneration

Director, executive officer, and auditor remuneration is comprised of basic salary, bonus, and company stock and is determined by the Compensation Committee.

Basic salary is consideration for daily business execution and participation in management commensurate with each position and its duties. Bonus is incentive for improving corporate performance for a fiscal year. The total amount of bonus is determined based on corporate performance, which is then distributed to each executive officer based on the degree of contribution. Company stock is incentive for raising medium-to-long term corporate value and is an amount commensurate with each position and its duties that is allocated to purchasing company shares.

Executive Classification	Total (Millions of yen)	Remuneration by category (Millions of yen)		Number of Directors/ Executive Officers/ Auditors
		Basic Salary (Stock Options)	Bonus (Retirement Benefits)	
Director (Outside Director)	169 (42)	169 (42)	—	16 (10)
Executive Officer	161	76	85	9
Auditor (Outside Auditor)	20 (7)	20 (7)	—	3 (2)

## Internal Control System

You will find our Basic Policies for the Establishment of an Internal Control System on our website.

▶ [Internal Control System](#) 

## Risk Management System

We have a Risk Management Committee aiming at strengthening management of risks associated with our business activities and responding promptly when emergencies addresses.

Also, to fulfill our responsibility as social infrastructure of a market operator, we establish Business Continuity Plans (BCP) to continue operations to the extent possible even when various emergencies addresses or to be back in business as soon as possible in situations where it becomes difficult for us to continue normal operations. We are building a sound and stable business continuity system.

You will find our Crisis Management on our website.

▶ [Risk Management System](#) 

## Board of Directors



**Director**  
(Chairperson of the Board of Directors)  
**Masakazu Hayashi**

Apr. 1968 Joined Ministry of Finance  
Jan. 2003 Administrative Vice-Minister of Finance  
Jul. 2005 Chairman, Japan Investor Protection Fund  
Aug. 2007 Director, Tokyo Stock Exchange Group, Inc.  
Oct. 2007 President, Tokyo Stock Exchange Regulation  
Jan. 2013 Director of the Company (current position)  
Jun. 2013 Chairperson of the Board of Directors (current position)



**Director & Representative Executive Officer, Group CEO**  
**Atsushi Saito**

Apr. 1963 Joined Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)  
Jun. 1995 Executive Vice President, ditto  
Oct. 1998 Joined Sumitomo Life Investment Co. Ltd. as Advisor  
Jan. 1999 President of Sumitomo Life Investment Co. Ltd.  
Apr. 2003 President and CEO, Industrial Revitalization Corporation of Japan  
May 2007 Joined Tokyo Stock Exchange, Inc. as Advisor  
Jun. 2007 President & CEO, ditto  
Aug. 2007 President & CEO, Tokyo Stock Exchange Group, Inc.  
Jan. 2013 Director & Representative Executive Officer, Group CEO of the Company (current position)  
Director, Osaka Securities Exchange Co., Ltd. (current position)



**Director & Representative Executive Officer, Group COO**  
**Michio Yoneda**

Apr. 1973 Joined The Bank of Japan  
Jul. 1995 General Manager, Akita Branch, ditto  
May 1998 General Manager, Sapporo Branch, ditto  
Apr. 2000 Executive Director, Osaka Securities Exchange  
Apr. 2001 Executive Director (Member of the Board), Osaka Securities Exchange Co., Ltd.  
Dec. 2003 President & CEO (Member of the Board), ditto  
Jan. 2013 Director & Representative Executive Officer, Group COO of the Company (current position)  
Director, Tokyo Stock Exchange, Inc. (current position)



**Director**  
**Akira Kiyota**

Apr. 1969 Joined Daiwa Securities Co. Ltd. (currently Daiwa Securities Group Inc.)  
Oct. 1997 Deputy President, ditto  
Apr. 1999 President, Daiwa Securities SB Capital Markets Co. Ltd. (currently Daiwa Securities Co. Ltd.)  
Jun. 2008 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.  
Jun. 2011 Honorary Chairman, Daiwa Securities Group Inc.  
Jun. 2013 Director of the Company (current position)  
President & CEO, Tokyo Stock Exchange, Inc. (current position)



**Director**  
**Hiromi Yamaji**

Apr. 1977 Joined The Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)  
Jun. 2000 Managing Director, ditto  
Apr. 2007 Executive Vice President, Global Investment Banking, ditto  
Oct. 2008 Executive Managing Director, Investment Banking, ditto  
Jun. 2013 Director of the Company (current position)  
President & CEO, Osaka Securities Exchange Co., Ltd. (current position)



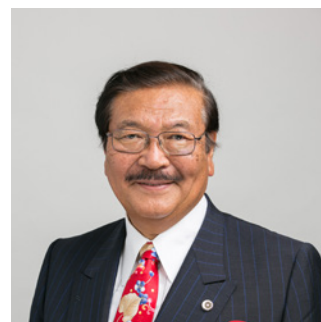
**Director\***  
**Tsutomu Okuda**

Apr. 1964 Joined The Daimaru Inc.  
Sep. 1991 Representative Director, Daimaru Australia Pty. Ltd.  
May 1995 Director, The Daimaru Inc.  
May 1996 Managing Director, ditto  
Mar. 1997 President, ditto  
May 2003 Chairman and CEO, ditto  
Jun. 2006 Outside Director (Member of the Board), Osaka Securities Exchange Co., Ltd.  
Sep. 2007 President and CEO, J. Front Retailing Co., Ltd.  
Chairman, The Daimaru, Inc.  
Mar. 2010 Representative Director and Chairman & CEO, J. Front Retailing Co., Ltd.  
Jan. 2013 Outside Director of the Company (current position)  
Apr. 2013 Director and Senior Advisor, J. Front Retailing Co., Ltd. (current position)



**Director\***  
**Yuko Kawamoto**

Apr. 1982 Joined Bank of Tokyo, Ltd.  
Sep. 1988 Joined Tokyo Office, McKinsey & Company  
Apr. 2004 Professor, Graduate School of Finance, Accounting & Law, Waseda University (current position)  
Jun. 2004 Outside Director (Member of the Board), Osaka Securities Exchange Co., Ltd.  
Jan. 2013 Outside Director of the Company (current position)



**Director\***  
**Hideaki Kubori**

Apr. 1971 Attorney-at-law (current position)/  
Joined Mori Sogo (currently Mori Hamada & Matsumoto)  
Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)  
Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, The Japan Federation of Bar Associations  
Apr. 2004 Professor, Omiya Law School (current position)  
Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc.  
Outside Governor, Tokyo Stock Exchange Regulation (current position)  
Jan. 2013 Outside Director of the Company (current position)



**Director\***  
**Hiroyuki Nakatsukasa**

Oct. 1981 Joined Deloitte Haskins & Sells Certified Public Accountant Joint Firm (currently Deloitte Touche Tohmatsu LLC)

Sep. 1984 Certified public accountant (current position)

Oct. 1988 Certified tax accountant

Nov. 1989 Established Nakatsukasa Certified Public Accountant and Tax Accountant Firm; Representative (current position)

Jun. 2007 Chairman, The Japanese Institute of Certified Public Accountants Kinki Chapter

Jun. 2009 Outside Auditor, Osaka Securities Exchange Co., Ltd.

Jan. 2013 Outside Director of the Company (current position)



**Director**  
**Masayuki Hirose**

Apr. 1979 Joined Tokyo Stock Exchange

Jun. 2009 Director, Tokyo Stock Exchange Group, Inc. Statutory Auditor, Tokyo Stock Exchange, Inc. (current position)

Jan. 2013 Director of the Company (current position)



**Director\***  
**Katsuhiko Honda**

Apr. 1965 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)

Jun. 1992 Director, General Manager, Human Resources, ditto

Jun. 1994 Managing Director and Leader, Personnel and Labor Group, ditto

Jun. 1995 Managing Director, Tobacco Business Headquarters, ditto

Jun. 1996 Senior Managing Director, Tobacco Business Headquarters, ditto

Jun. 1998 Executive Deputy President and Representative Director, ditto

Jun. 2000 President and Representative Director, ditto

Jun. 2006 Member of the Board, Corporate Counselor, ditto

Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc. Outside Director, Tokyo Stock Exchange, Inc. Corporate Counselor, Japan Tobacco Inc.

Jun. 2012 Corporate Counselor (current position), ditto

Jan. 2013 Outside Director of the Company (current position)



**Director\***  
**Kunihiro Matsuo**

Apr. 1966 Legal trainee

Apr. 1968 Prosecutor, Tokyo Public Prosecutor's Office

Dec. 1996 Deputy Chief Prosecutor, ditto

Jun. 1998 Detective Superintendent, Ministry of Justice

Dec. 1999 Vice Minister of Justice, Ministry of Justice

Jun. 2004 Prosecutor-General, Supreme Public Prosecutor's Office

Sep. 2006 Registration as Attorney-at-law (current position)

Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc. Outside Auditor, Tokyo Stock Exchange, Inc.

Jan. 2013 Outside Director of the Company (current position)



**Director\***  
**Shigeru Morimoto**

Apr. 1969 Assistant, Faculty of Law, Kyoto University

Aug. 1971 Assistant Professor, ditto

Jun. 1983 Professor, ditto

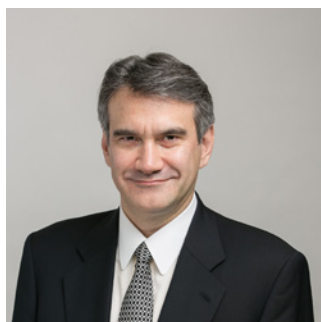
Apr. 1992 Professor, Graduate School of Law, ditto

Apr. 2009 Professor, Graduate School of Law, Doshisha University (current position)

Jun. 2009 Outside Director (Member of the Board), Osaka Securities Exchange Co., Ltd.

Oct. 2011 Registration as Attorney-at-law (current position)

Jan. 2013 Outside Director (current position)



**Director\***  
**Charles Ditmars Lake II**

Aug. 1992 Director for Japan Affairs, Office of the U.S. Trade Representative (USTRI), Executive Office of the President

Jul. 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, ditto

Jun. 1999 Vice President and Counsel, American Family Life Assurance Company of Columbus Japan Branch (Aflac Japan)

Jul. 2001 Deputy President, ditto

Jan. 2003 President and Representative in Japan, ditto

Apr. 2005 Vice Chairman and Representative in Japan, ditto

Jun. 2006 Outside Director, Tokyo Stock Exchange, Inc.

Aug. 2007 Outside Director, Tokyo Stock Exchange Group, Inc.

Jul. 2008 Representative and Chairman, American Family Life Assurance Company of Columbus Japan Branch (Aflac Japan) (current position)

Jan. 2013 Outside Director of the Company (current position)

**Nomination Committee**

Chairperson of the Committee:  
Atsushi Saito

Member of the Committee:  
Yuko Kawamoto, Hideaki Kubori, Katsuhiko Honda,  
Michio Yoneda

**Compensation Committee**

Chairperson of the Committee:  
Tutomu Okuda

Member of the Committee:  
Atsushi Saito, Charles Ditmars Lake II

**Audit Committee**

Chairperson of the Committee:  
Kunihiro Matsuo

Member of the Committee:  
Hiroyuki Nakatsukasa, Masayuki Hirose

\* Outside director stipulated in item 15, Article 2 of the Company Law of Japan.

## Executive Officers of JPX

**Atsushi Saito**

Director & Representative  
Executive Officer, Group CEO

**Michio Yoneda**

Director & Representative  
Executive Officer, Group COO

**Yoshinori Suzuki**

Executive Vice President  
CIO (IT Planning)

**Koichiro Miyahara**

Senior Executive Officer  
(Human Resources)

**Kotaro Yamazawa**

Senior Executive Officer  
(Corporate Strategy and  
Corporate Communications)

**Yoshinori Karino**

Senior Executive Officer  
(IT Planning)

**Moriyuki Iwanaga**

Senior Executive Officer  
CFO (Treasury)

**Norio Iwasaki**

Executive Officer  
(General Administration)

**Masahiko Maruyama**

Executive Officer  
(General Administration)

## Tokyo Stock Exchange, Inc.

**Akira Kiyota**

President & CEO

**Yoshinori Suzuki**

Senior Managing Director  
(IT Administration, System Quality  
Control and IT Development  
(Equities, Derivatives and Information))

**Kiyoyuki Tsuchimoto**

Managing Director  
(Equities, Derivatives and  
Market Participants Relations)

**Masaki Shizuka**

Managing Director  
(Listing)

**Michio Yoneda**

Director (part-time)

**Takashi Moriya\***

Standing Statutory Auditor

**Masayuki Hirose**

Statutory Auditor

**Katsushi Kuroda\***

Statutory Auditor

**Atsushi Shimizu\***

Statutory Auditor

**Moriyuki Iwanaga**

Senior Executive Officer  
(Clearing & Settlement)

**Norio Iwasaki**

Executive Officer  
(General Administration)

**Yasuyuki Konuma**

Executive Officer  
(New Listings and  
Market Business Development)

**Ryusuke Yokoyama**

Executive Officer  
(IT Development (Clearing) and  
IT Services)

**Yoshihiro Isaka**

Executive Officer  
(Information Services)

**Masayuki Murata**

Executive Officer  
(New Listings)

\* Outside

## Osaka Securities Exchange Co., Ltd.

**Hiromi Yamaji**

President & CEO

**Kotaro Yamazawa**

Director, Senior Executive  
Officer  
(Market Business Development)

**Yoshinori Karino**

Director, Senior Executive  
Officer  
(IT)

**Atsushi Saito**

Director (part-time)

**Yoshitake Kaneda**

Standing Statutory Auditor

**Hiroshi Iwaki\***

Statutory Auditor

**Yasuhiko Ogawa\***

Statutory Auditor

**Yoshinori Suzuki**

Executive Vice President  
(IT)

**Masahiko Maruyama**

Executive Officer  
(General Administration and  
Information Service)

**Hiroyasu Ichimoto**

Executive Officer  
(Market Business Development)

**Tatsuya Kamiki**

Executive Officer  
(Market Operations)

\* Outside

## Tokyo Stock Exchange Regulation

**Takafumi Sato\***

President

**Taro Takeda**

Standing Governor  
(Participant Examination and Inspection,  
Market Surveillance, and General Administration)

**Makoto Minoguchi**

Standing Governor  
(Listing Examination and  
Listed Company Compliance)

**Tetsuya Kawamoto**

Standing Governor  
(Listing Examination and Listed Company  
Compliance (JASDAQ market))

**Hideaki Kubori\***

Governor

**Shigeo Sasaki\***

Governor

**Koichi Masuda\***

Governor

**Hiroyuki Matsuzaki**

Standing Auditor

**Takashi Moriya\***

Auditor

\* Outside

# Financial Highlights

The financial results of JPX for FY2012 are explained using reference figures totaling the consolidated financial results of JPX (details on p. 37) and the financial results for the first half of FY2012 of Osaka Securities Exchange Co., Ltd. prior to the business combination (former OSE).

Furthermore, comparative figures for FY2011 are the total of Tokyo Stock Exchange Group, Inc. (former TSEG) and former OSE.

## FY2012

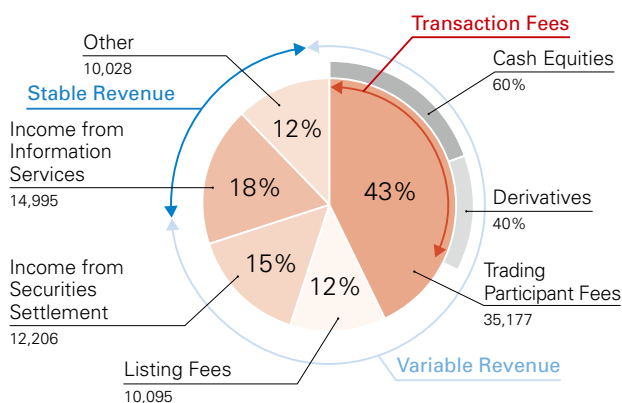
Operating Revenue	<b>¥82,504</b> million
Operating Expenses	<b>¥59,633</b> million
Operating Income	<b>¥22,871</b> million
Net Income	<b>¥12,953</b> million
EBITDA	<b>¥36,994</b> million
Dividend per Share/Dividend Payout Ratio* <sup>1</sup>	<b>¥80.00 40.1%</b>
ROE* <sup>2</sup>	<b>9.7%</b>

\*1 This dividend per share is year-end dividend per share for FY2012, and this dividend payout ratio was calculated using JPX's consolidated net income and average number of shares between January 1, 2013 and March 31, 2013 (54,906,910 shares).

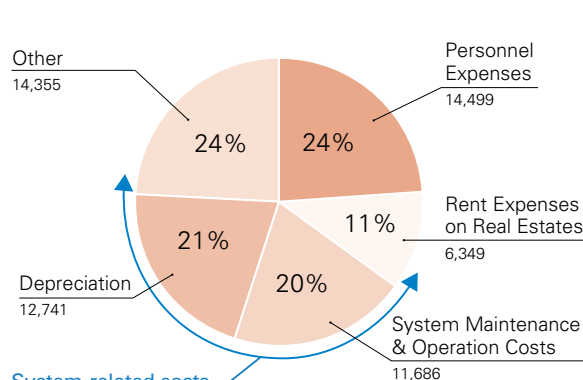
\*2 This figure was calculated excluding goodwill amortization and special assets.

## Composition of Operating Revenue and Expenses

### Operating Revenue



### Operating Expenses



FY2012 (Full Year)  
(Millions of yen)

### Average Daily Trading Volume/Value

	FY2012
Equities (trading value)* <sup>1</sup>	<b>¥1,561.2 billion</b>
TOPIX futures (trading volume)	<b>68,204 contracts</b>
Nikkei 225 Futures* <sup>2</sup> (trading volume)	<b>153,087 contracts</b>
Nikkei 225 Options (trading value)	<b>¥23.5 billion</b>
10-year JGB futures (trading volume)	<b>38,700 contracts</b>

\*1 Total of trading value in TSE 1st/2nd Sections including OSE 1st/2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market

\*2 Including Nikkei 225 mini (calculated using factor of 1/10)

Due to increase in trading participant fees and income from securities settlement, the results of JPX during the fiscal year ended March 31, 2013 were operating revenue of ¥82,504 million (9.2% increase from the same period of last year (i.e. year-on-year)), operating income of ¥22,871 million (30.8% increase), ordinary income of ¥25,259 million (25.8% increase), and net income of ¥12,953 million (10.0% increase).

## The Results of JPX

(Millions of yen)				
	Year ended March 31, 2012	Year ended March 31, 2013	Change	Change (%)
Operating Revenue	75,539	<b>82,504</b>	6,964	9.2%
Operating Expenses	58,057	<b>59,633</b>	1,576	2.7%
Operating Income	17,482	<b>22,871</b>	5,388	30.8%
Ordinary Income	20,080	<b>25,259</b>	5,179	25.8%
Net Income	11,777	<b>12,953</b>	1,175	10.0%
EBITDA	33,263	<b>36,994</b>	3,731	11.2%

## Operating Revenue

### ◇ Overview of Operating Revenue

(Millions of yen)					
	FY 2011 (Full Year) (April 1, 2011–March 31, 2012)		FY 2012 (Full Year) (April 1, 2012–March 31, 2013)		
	Amount	Composition	Amount	Composition	y/y
<b>Trading Participant Fees</b>	31,088	41.2%	<b>35,177</b>	<b>42.6%</b>	<b>13.2%</b>
Transaction Fees	22,710		<b>26,696</b>		<b>17.5%</b>
Cash Equities	13,982	61.6%*	<b>16,105</b>	<b>60.3%*</b>	<b>15.2%</b>
TSE market (inc. Mothers)	11,845		<b>13,200</b>		<b>11.4%</b>
OSE market (inc. JASDAQ)	2,136		<b>2,905</b>		<b>35.9%</b>
Derivatives	8,728	38.4%*	<b>10,590</b>	<b>39.7%*</b>	<b>21.3%</b>
TOPIX futures	1,361		<b>1,526</b>		<b>12.1%</b>
Nikkei 225 Futures (inc. mini)	2,682		<b>3,415</b>		<b>27.3%</b>
Nikkei 225 Options	3,004		<b>3,621</b>		<b>20.6%</b>
10-year JGB futures	1,358		<b>1,770</b>		<b>30.4%</b>
Others	321		<b>256</b>		<b>(20.2)%</b>
Basic Fees	1,578		<b>1,451</b>		<b>(8.0)%</b>
Access Fees	4,169		<b>4,440</b>		<b>6.5%</b>
Trading System Facilities Usage Fees	2,532		<b>2,481</b>		<b>(2.0)%</b>
Others	98		<b>108</b>		<b>10.1%</b>
<b>Income from Securities Settlement</b>	9,603	12.7%	<b>12,206</b>	<b>14.8%</b>	<b>27.1%</b>
<b>Listing Fees</b>	9,123	12.1%	<b>10,095</b>	<b>12.2%</b>	<b>10.7%</b>
Initial/Additional Listing Fees	2,311		<b>3,265</b>		<b>41.3%</b>
Annual Listing Fees	6,812		<b>6,830</b>		<b>0.3%</b>
<b>Income from Information Services</b>	15,440	20.4%	<b>14,995</b>	<b>18.2%</b>	<b>(2.9)%</b>
<b>Other</b>	10,283	13.6%	<b>10,028</b>	<b>12.2%</b>	<b>(2.5)%</b>
<b>Total</b>	75,539	100.0%	<b>82,504</b>	<b>100.0%</b>	<b>9.2%</b>

Figures marked\* are ratio among Transaction Fees.



#### • Trading Participant Fees

Due to an increase in trading participant fees comprise “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, 2013, trading participant fees increased ¥4,089 million year-on-year to ¥35,177 million due to an increase in the value of securities traded or volume of derivatives traded.

#### • Listing Fees

Listing fees comprise the “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.

Due to an increase in the number of newly listed companies and amount of funds raised by listed companies, listing fees during the fiscal year ended March 31, 2013, increased ¥972 million year-on-year to ¥10,095 million.

#### • Income from Information Services

Income from information services 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, 2013, income from information services decreased ¥444 million year on-year to ¥14,995 million.

#### • Income from Securities Settlement

Income from securities settlement is derived from settlement commissions related to the assumption of financial instrument obligations carried out by Japan Securities Clearing Corporation (JSCC) and OSE.

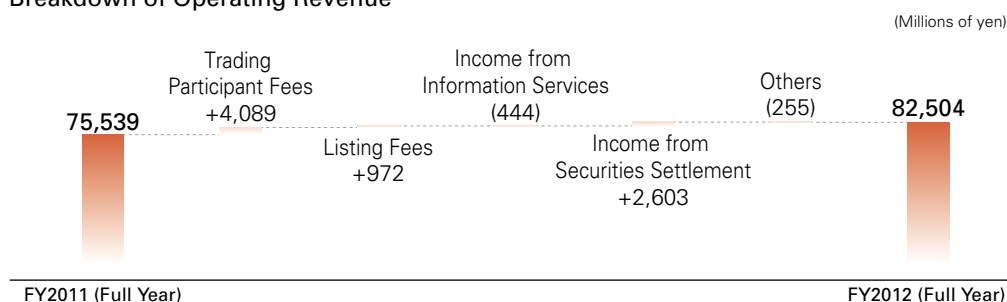
During the fiscal year ended March 31, 2013, income from securities settlement increased significantly by ¥2,603 million year-on-year to ¥12,206 million, due to a year-on-year increase in the value of securities traded or volume of derivatives traded and new income from clearing fees derived from clearing services for yen denominated interest rate swaps provided by JSCC, following the commencement of such services in October 2012.

#### • 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” related to use of the networks, market information systems, etc. to trading participants and users. “Co-location Usage Fees” are those for using the service which allows 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 using the proximity service which diversifies connectivity to domestic and foreign markets, and can be used by trading participants and market-related parties, such as information vendors.

During the fiscal year ended March 31, 2013, other operating revenue decreased ¥255 million year-on-year to ¥10,028 million.

### Breakdown of Operating Revenue



## Operating Expenses

### ◇ Overview of Operating Expenses

	FY2011 (Full Year) (April 1, 2011–March 31, 2012)	FY2012 (Full Year) (April 1, 2012–March 31, 2013)
Personnel Expenses	14,788	14,499
Rent Expenses on Real Estates	6,362	6,349
System Maintenance & Operation Costs	11,167	11,695
Depreciation	13,443	12,741
Other	12,295	14,347
Total	58,057	59,633

#### • Personnel Expenses

Personnel expenses during the fiscal year ended March 31, 2013 decreased ¥288 million year-on-year to ¥14,499 million.

#### • Rent Expenses on Real Estates

Rent expenses on real estates are primarily rental fees for the building and for system development and operational facilities. These costs during the fiscal year ended March 31, 2013, decreased ¥12 million year-on-year to ¥6,349 million.

#### • System Maintenance & Operation Costs

System maintenance & operation costs consist of maintenance and operation costs for trading system and other systems. These costs during the fiscal year ended March 31, 2013, increased ¥527 million year-on-year to ¥11,695 million.

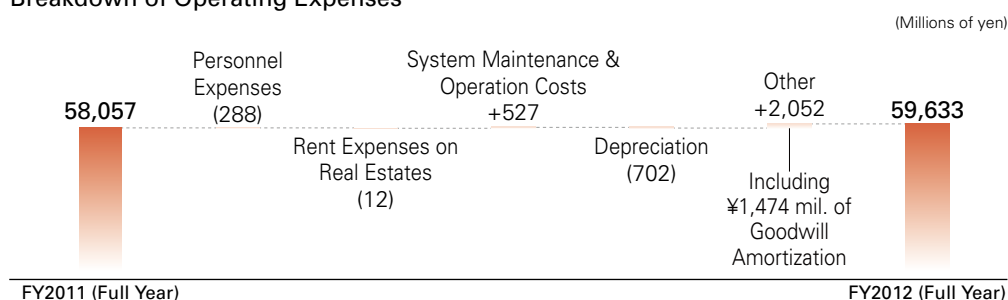
#### • Depreciation

Although accelerated system amortization for system integration occurred, due to large decrease in depreciation of former TSEG, depreciation during the fiscal year ended March 31, 2013, decreased ¥702 million year on year to ¥12,741 million.

#### • Other Operating Expenses

Other operating expenses during the fiscal year ended March 31, 2013, increased ¥2,052 million year-on-year to ¥14,347 million due to including ¥1,474 million as amortization of goodwill.

### Breakdown of Operating Expenses





# Medium-Term Management Plan for FY2013 to FY2015

In March 2013, we announced the Medium-Term Management Plan for FY2013 to FY2015 as JPX's first medium-term management plan. On top of seeking the early realization of integration benefits, we established the core strategies of "creating a new Japanese stock market," "expanding our derivatives market," and "expanding exchange business fields" in our aspirations toward becoming "the Most Preferred Exchange in the Asian Region."

## Core Strategy

### 1 Creation of a New Japanese Stock Market

Using the opportunity provided by the market integration, re-envision the Japanese stock market as one that develops with the Asian economy

## Core Strategy

### 2 Expansion of the Derivatives Market

Combine the trading infrastructure and marketing capabilities of both companies and promote ourselves as a comprehensive exchange to become a top-class Asian derivatives market

## Core Strategy

### 3 Expansion of Exchange Business Fields

Realize the diversification of our revenue streams mainly through expanding our OTC clearing business to become the most preferred destination for investments in Asia

## Early Realization of Integration Benefits

Promptly and smoothly integrate market functions and systems, promptly realize synergies (cost reduction, etc.), and establish a more efficient and creative corporate culture

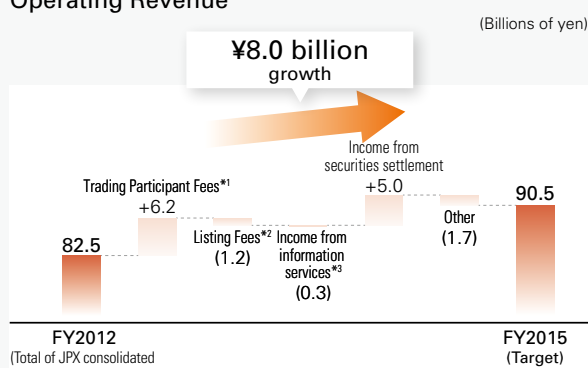
## Expanding Revenues through Market Growth and Promoting a Slimmer Cost Structure

JPX has laid out strategies in its medium-term management plan to realize an increase of ¥8 billion in revenues and a decrease of at least ¥8.5 billion in cost by the plan's final fiscal year of 2015. By implementing initiatives toward "creating a new Japanese stock market," "expanding the derivatives market," and "expanding exchange business fields," JPX aims to expand equity trading value and derivatives trading volume, thereby increasing operating revenues.

With respect to costs, we at JPX will reduce system-related costs for FY2015, such as system maintenance/operation costs and depreciation costs, by ¥7 billion from FY2012 due to integration of duplicate systems. Additionally, we will achieve ¥1.5 billion in non-system-related cost reduction via streamlining business operation bases and implementing efficiency improvement of company-wide operations, thereby striving to realize overall cost reduction of at least ¥8.5 billion or 15% from FY2012.

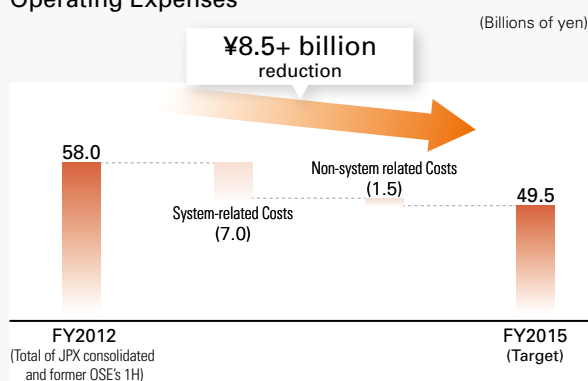
With these measures, JPX aims to realize an ROE of approximately 14% in FY2015.

### Operating Revenue



- \*1 There is an annual decrease of approximately ¥1.2 billion in the cash market due to duplicated basic fees, etc. which is absorbed by an increase in revenue  
 \*2 An annual decrease of approximately ¥0.5 billion is expected due to cancellations of dual-listings  
 \*3 Elimination of duplicated fees is expected to result in a decrease of approximately ¥0.8 billion annually

### Operating Expenses\*



- \* Excluding goodwill amortization

### Management and Financial Targets/ Financial Indicators

(Millions of yen)

	FY2012* <sup>1</sup> (Actual)	FY2015 (Target)
Operating Revenues	82,504	90,500
Operating Expenses (excl. goodwill amortization)	59,633 (58,159)	52,900 (49,500)
Operating Profit (excl. goodwill amortization)	22,871 (24,345)	37,600 (41,000)
Net Income (excl. goodwill amortization)	12,953 (14,427)	22,600 (26,000)
EBITDA	36,994	Approx. 50,000
ROE* <sup>2</sup>	9.7%	Approx. 14%

\*1 Total of JPX consolidated and former OSE's 1H

\*2 Calculated excluding goodwill amortization and special assets

### Assumption of Average Daily Trading Value/ Volume

	FY2012 (Actual)	FY2015 (Target)
Equities (trading value)* <sup>1</sup>	¥1,561.2 bil.	¥1,700 bil.
TOPIX futures (trading volume)	68,204 contracts	104,000 contracts
Nikkei 225 Futures* <sup>2</sup> (trading volume)	153,087 contracts	217,000 contracts
Nikkei 225 Options (trading value)	¥23.5 bil.	¥47.0 bil.
10-year JGB futures (trading volume)	38,700 contracts	53,000 contracts

\*1 Total of trading value in TSE 1st/2nd Sections including OSE 1st/2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market

\*2 Including Nikkei 225 mini (calculated using factor 1/10)

## Early Realization of Integration Benefits

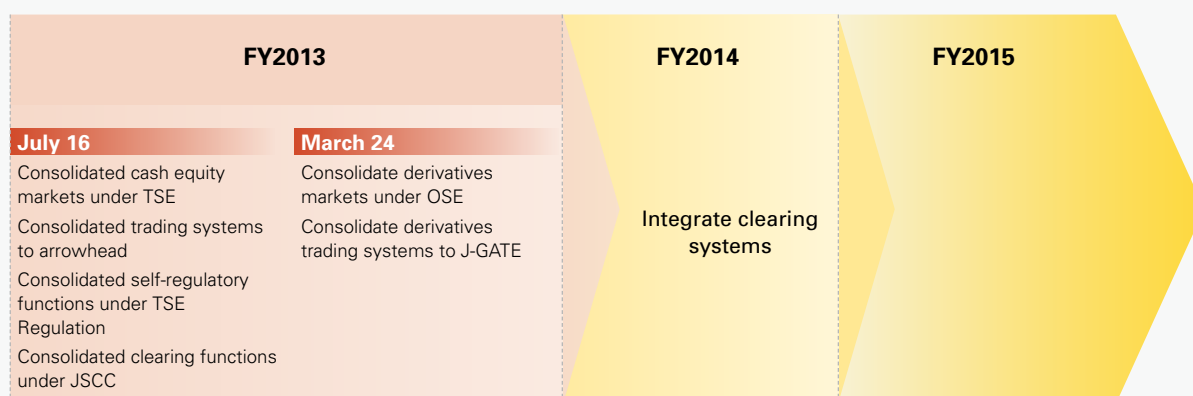
The early integration of our market functions and systems forms an essential part of our new business strategies and the generation of system cost synergies.

We began by successfully integrating our cash equity markets under Tokyo Stock Exchange on July 16, 2013. As for the derivatives markets, we will be integrating them under Osaka Securities Exchange in March 2014. We believe that integrating markets and trading platforms will not only bring about reduced system costs but also increase the number of products available on a single platform and concentrate liquidity from two separate markets onto a single venue, thereby, enhancing the convenience of the market.

Along with the cash equity market integration, we also integrated our self-regulatory operations, including

those for the OSE's derivatives market, under Tokyo Stock Exchange Regulation on July 16, 2013. On the same day, clearing operations were integrated under JPX subsidiary Japan Securities Clearing Corporation (JSCC), enhancing our risk management functions, as well as raising fund efficiency through unifying the margin deposit system. Clearing systems will be integrated in 2014.

Through the early integration of our market functions and systems, we seek to achieve cost synergies and increased convenience for investors, securities companies, listed companies, and other market users, thereby further raising the appeal of our capital market.



## Creation of a New Japanese Stock Market

### Seven Initiatives toward Creation of a New Japanese Stock Market

#### 1. Promote Appeal of Japanese Stocks Globally

##### Develop New Stock Price Indices

- Develop and commence calculation of a new index composed of highly attractive listed companies [FY2013]
- Broaden familiarity with the new index and improve its recognition/awareness [FY2014]

#### 2. Enhance Global Valuation of Japanese Stocks

##### Enhance Corporate Governance

- Revise listing rules, increase awareness of the Listed Company Awards, and promote understanding of efforts for corporate governance through individual visits to institutional investors

#### 3. Maintain World-class Competitive Edge of Systems

##### Renew arrowhead

- Further improve latency (processing speed), reinforce risk management functions in accordance with electronic/high speed trading [FY2015]

#### 4. Revitalize Market through Trading Participant Diversification

##### Adjustment of to Tick Sizes/Trading Hours

- Adjustment of tick sizes [FY2013]
- Start serious discussions for rules and systems of evening/night-time cash markets [FY2013]

#### 5. Propose Policy Recommendations from a Market-based Perspective

##### Propose Policy Recommendations to Enhance Japanese Market Functions

- Propose policy measures via meetings with market experts [FY2013]
- Pro-actively disseminate such proposals to global media, etc.

#### 6. Expand ETF/J-REIT Markets

##### Promote Diversification of and Investment in ETF/J-REIT Products

- Establish a top-class ETF market in terms of managed amount and diversity, and secure position as the world's 3rd largest REIT market [FY2015]

#### 7. Support Corporate Growth through IPO Promotion

##### Promote Listing Support Activities

- Implement "seeding" activities prior to listing preparation, offer "Growth stage-based support" to candidates for listing, and extend "growth support" after listing

## Develop a New Index

Comparing prices at the end of 2002 and those at the end of 2012, TOPIX performance was largely lackluster. However, during the same period, 65% of TOPIX constituents had gained while 23% had doubled or more. Recognizing the need for an index that offers an accurate reflection of the appeal of the many Japanese companies with sound corporate management, we teamed up with Nikkei Inc. in May 2013 to begin developing a new stock price index.

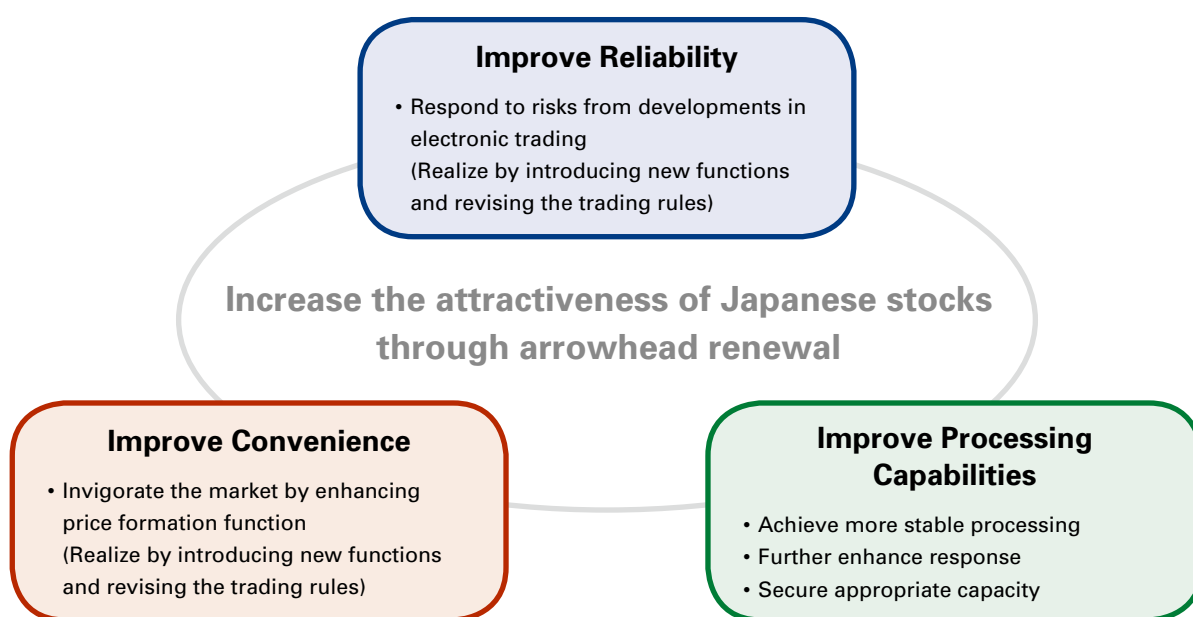
### Outline of New Jointly Developed Index

- The new index focuses on the importance of management conducted with an awareness of capital efficiency, profitability, and investor viewpoints. Its most unique attribute is the selection of constituents based on corporate performance indicators and data, such as ROE. Also, qualitative indicators (matters pertaining to disclosure, etc.) will be considered in the selection.
- No. of constituents: approx. 500 issues at maximum
- Commencement of calculation: by the end of 2013

## Renew arrowhead, the Cash Equity Trading System

Following the launch of the current arrowhead system, market environments have evolved significantly, order numbers have greatly increased due to the spread of electronic trading and increasing speed of trading, and market-user needs have become more diverse. Given that incidents involving erroneous orders in electronic trading have occurred in the markets of other countries,

methods for handling the risk associated with electronic trading have become a primary concern for our exchanges and market participants. In order to respond to these developments, JPX plans to renew the cash equity trading system in mid-FY2015 based on the current arrowhead system, with basic policies of enhancing reliability, convenience, and processing capabilities.



## Optimize Tick Sizes

We are aware of requests for narrower tick sizes from both overseas and domestic investors and have decided to optimize tick sizes for further improvement in convenience. We will assess market impact and optimize tick sizes in three stages based on liquidity and price of each stock.

<b>Phase I:</b> January 2014	Apply to TOPIX100 constituents Revise tick sizes of stocks with price more than ¥3,000
<b>Phase II:</b> July 2014	Apply to TOPIX100 constituents Introduce tick sizes in units less than ¥1 for stocks with price at ¥5,000 or less
<b>Phase III:</b> mid-2015	Implement a comprehensive optimization of tick sizes in light of the effect of Phase I/II on trading conditions

## Expand the ETF/J-REIT Market

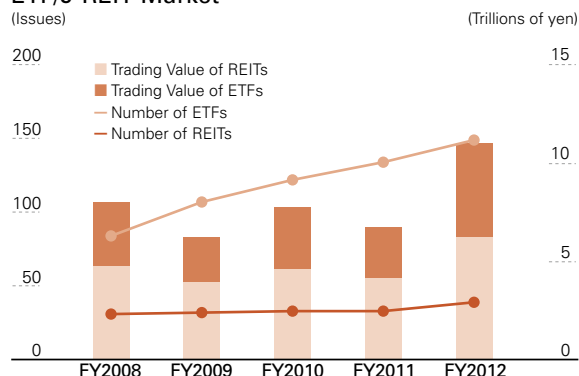
We are improving attractiveness of markets actively promoting ETFs and REITs to invest in various assets such as commodities, foreign stocks, and real estates in the same way as investing in stocks.

For the expansion of the ETF market, TSE pursued marketing activities to attract powerful overseas market makers, held events to promote the market, and was engaged in initiatives to enrich investment information via various media. Efforts to further bolster our product lineup brought a pair of leveraged and inverse ETFs tracking TOPIX, 4 ETNs tracking leveraged and inverse indices of overseas markets as well as the cross-listings of 2 ETFs created in Hong Kong based on the Renminbi Qualified Foreign Institutional Investors (RQFII) scheme. As a result, there were a total of 13 newly listed ETFs and ETNs on TSE during the fiscal year. Also in former OSE market, a pair of leveraged and inverse ETFs tracking the Nikkei Stock Average was listed in April 2012, offering investors a new option for hedging risk.

With respect to the REIT market, TSE continued to provide support to companies preparing for listing while being engaged in promotion activities such as holding and participating in events for individual investors, and

biannual global promotion activities for overseas institutional investors, as well as expanding investment information through the "J-REIT view" website. As a result, the market saw 6 new issues in FY2012, welcoming its first listing in 4-and-a-half years. Currently, market capitalization of J-REIT is the world's third largest after U.S. and Australia, and we continue to strive for expanding the market.

### ETF/J-REIT Market

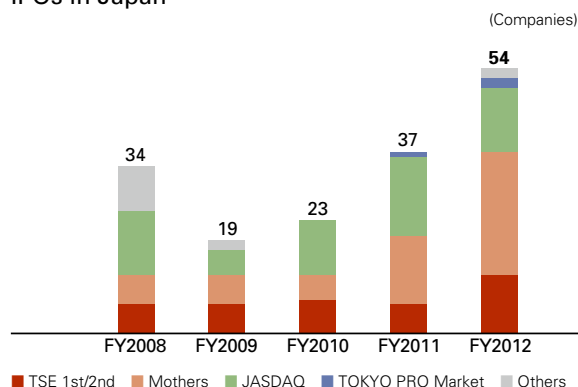


## Support Corporate Growth through IPO Promotion

By going public, companies raise funds and obtain risk money for further growth. We believe that creating an environment conducive to IPOs is essential for the revitalization of the Japanese economy. With this in mind, JPX will conduct pre-listing “seeding” activities to seek out candidates, offer them “growth stage-based support,” and extend post-listing “growth support.”

Through these efforts, we will work to offer companies with solutions on issues that they face in the course of preparing for a listing. In fiscal year 2012, we welcomed 52 IPOs to the JPX market. Moving forward, we hope to drive the pace of IPOs and will pursue initiatives in listing support activities and support for listed companies after their IPOs.

### IPOs in Japan



## Message from the President of Tokyo Stock Exchange, Inc.

With the integration of the OSE's cash equity market on July 16, Tokyo Stock Exchange became a venue for more than 3,400 public companies ranging from large corporations with global business operations to SMEs possessing sophisticated technology and emerging companies with immense growth potential. TSE is now home to more companies than both NYSE and NASDAQ-OMX. With conditions becoming increasingly conducive for IPOs, we will look to expand our lineup of highly attractive growth companies.

Once known as “Asia's most developed nation,” Japan today faces increasing competition from emerging countries that are quickly catching up. Exchanges also face intensifying global competition, and it is no longer enough for us to merely survive but to prevail over the competition. In order to do so, it is important for us to pursue initiatives which embrace new perspectives, an example of which is our collaboration with Nikkei Inc. to jointly develop a new stock price index that focuses on capital efficiency, profitability, and shareholder perspectives. At the same time, we will be fine tuning our trading rules through plans such as a program to adjust tick sizes in several phases. As for our trading platforms, we will be renewing our arrowhead cash equity trading system in the middle of 2015 to further enhance system reliability, convenience, and processing capacity. We also remain committed to revising our listing rules to enhance listed company corporate governance and will work to diversify our ETF and J-REIT lineups and encourage investment in such products.

Our aim is to create “a new Japanese stock market” through presenting and encouraging new perspectives on Japanese equities in this way and to put ourselves in a position to develop further together with the Asian economy.



Akira Kiyota  
President & CEO, Tokyo Stock Exchange, Inc.

## Expansion of the Derivatives Market

### Four Initiatives toward Expansion of the Derivatives Market

#### 1. Expand into Commodity Derivatives Fields

##### Revitalize the Commodities Market

- Encourage concerned parties to revise rules and regulations which impede expansion of the commodity derivatives market, and enter into the field of commodities on a full scale

#### 2. Further Enrich Derivatives Product Lineup

##### Develop Overseas Index Products

- Enrich/expand JGB-related products, and launch derivatives products which target overseas indices, etc.
- Develop/launch new products to cover OTC trades
- Conduct marketing and promotion activities targeting market participants to secure liquidity for new products

#### 3. Dynamically Improve Rules upon Market Integration

##### Review Derivatives Market Rules and Frameworks

- Develop rules and frameworks, review fee structure, and extend trading hours, etc. in connection with the derivatives market integration
- Use the system integration as an opportunity to expand market participants and promote new participation in the JGB Futures and TOPIX Futures markets

#### 4. Construct a New Market Design

##### Discuss Next-Generation Derivatives Trading System

- Formulate the implementation timeline and basic schedule for a next-generation derivatives trading system
- Determine basic policies for new rules and new functions to accompany launch of a next-generation derivatives trading system



## Expand into Commodity Derivatives Fields

As derivatives markets are expanding globally, exchanges that have developed and expanded their derivatives markets maintain a high profile among investors and market users alike. In Japan, the derivatives market remains small in comparison to its cash equity market, even more so when compared with leading derivatives markets in the world. Even as the commodities markets exhibit tremendous growth, the Japanese market has remained largely stagnant. However, the September 2012 amendment to the

Financial Instruments and Exchange Act established a framework for a “comprehensive exchange” under the supervision of the Financial Services Agency of Japan. Moving forward, we will actively encourage concerned parties to revise rules and regulations which impede market expansion so as to enter, in earnest, into the field of commodities as JPX. The trade name of “Osaka Securities Exchange” is scheduled to be changed to “Osaka Exchange” dropping the word “Securities” in March 2014.

## Launch CNX Nifty Index futures

With Asia showing rapid growth, we are also aware of the growing appetite in Japan for derivatives products based on Asian indices and will look to expand our lineup of overseas indices products through collaborations with other exchange and so on. Following

already launched futures based on Dow Jones Industrial Average, we plan to launch CNX Nifty Index futures, which track India’s leading stock price index in March 2014 and respond to demand for investment in the Indian market.

## Re-launch Super Long-Term (20-year) JGB futures

We recognize the increasing demand for super long-term JGB (Japanese government bond) futures with the growing amount of issuance and trading in 20-year interest-bearing JGBs and other super long-term zone JGBs. Due to this demand, we will re-launch Super Long-Term JGB futures in April 2014 since suspending the market in September 2002. We will strive to

emulate the well-developed government bond futures markets in the US and Europe where a wide range of government bond futures are actively traded. We will leverage on the resumption and expansion of the super long-term JGB futures market to enhance our presence in the global financial markets.

Derivatives in JPX				
Japanese Equity	Foreign Equity	Interest Rate	Foreign Exchange	Commodities
<Index> Nikkei 225 Futures Nikkei 225 mini Nikkei 225 Options TOPIX futures mini-TOPIX futures TOPIX Options Nikkei 225 VI Futures Nikkei 225 Dividend Index Futures etc.	DJIA Futures <b>CNX Nifty Futures</b> (To be launched on March 24, 2014)	10-year JGB futures Options on 10-year JGB futures <b>Super long-term            (20-year) JGB            futures</b> (To be launched on April 7, 2014) etc.	OSE-FX	
<Stock> Individual Securities Options				

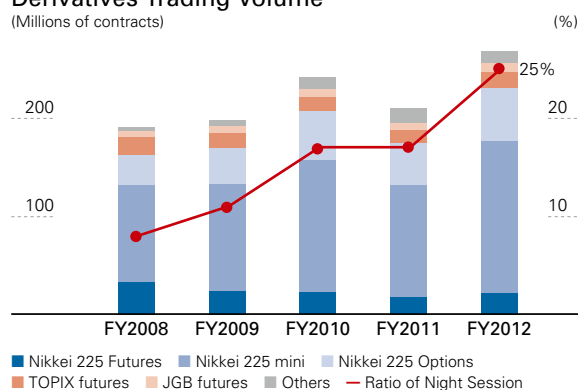
## Improve Convenience with Extension of Trading Hours

OSE launched Evening Session which was from 4:00 p.m. to 7:00 p.m. in September 2007, and extended the session to 8:00 p.m. in October 2008, and 11:30 p.m. in July 2010 in respond to demand from investors. Then in July 2012, they again extended the evening session to 3:00 a.m. and changed its session name to Night Session. In the meantime, the ratio of trading volume of the evening/night session to the total trading volume has grown.

Currently, evening session of TSE's derivatives products including TOPIX and JGB derivatives closes at 11:30 p.m. In accordance with derivatives market integration in March 2014, we will extend the trading hours of TOPIX futures, TOPIX Options, JGB futures, and Options on JGB futures to 3:00 a.m.

We continue to examine trading hours which meet investor demand.

### Derivatives Trading Volume



## Message from the President of Osaka Securities Exchange Co., Ltd.

With the cash equity market integration into the TSE market on July 16, Osaka Securities Exchange became a dedicated derivatives exchange. Its functions will be further strengthened when the Osaka and Tokyo derivatives markets integrate and trading is consolidated on our J-GATE system in the coming March. While JPX's derivatives trading volume currently ranks 17th in the world, there is still great potential for expansion given the scale of the Japanese economy. To extract the full potential of our growth, we need to devote ceaseless efforts into a variety of initiatives, including the introduction of attractive listed products, revisions to trading rules, and the construction of a world-class trading system. Our first steps will begin with improving participant convenience with the coming derivatives market integration, to be followed by the start of trading for India's CNX Nifty Index Futures, the re-launch of 20-year JGB futures trading, and other active efforts to introduce products which meet investor needs.

If we turn our attention to commodity futures trading, we see that despite the global market growing to 5-times its size in the past 10 years, the Japanese market has shrunk to a mere fifth of its scale. Recent developments, including Intercontinental Exchange's acquisition of NYSE Euronext, show an increasing trend in the formation of comprehensive exchanges globally. We believe that commodity derivatives are a vital field to expand our derivatives business, and one that we are eager to engage in the future.

We will remain dedicated to strengthening the international competitiveness of Japanese derivatives, and are putting our full effort into expanding and revitalizing the market as a whole.



Hiromi Yamaji  
President & CEO, Osaka Securities Exchange Co., Ltd.

## Expansion of Exchange Business Fields

### Initiatives toward Expansion of Exchange Business Fields

#### 1. Diversify Earning Sources via Expansion of Clearing Business

##### Rule Revisions to Expand Use of OTC Derivatives Clearing

- Start client clearing (Clearing of customer trading)
- Introduce Cross-Margin rules for JGB Futures and Interest Rate Swaps, etc.
- Expand handling products

#### 2. Expand Project Finance for Infrastructure Business

##### Establish Rules for Listed Infrastructure Market and Realize Listings

- Determine market needs and respond to challenges for full scale market creation, and implement individual promotion/listing support targeting domestic/overseas originator candidates based on such determination and response. Then establish a competitive foundation against other Asian markets [FY2015]

#### 3. Contribute to Eliminating the Supply and Demand Gap for Finance in Asian Countries

##### Utilize/Invigorate PRO-BOND Market

- Secure position as top-class professional-oriented bond market in Asia through enhancement of market convenience and cultivation of new issuers and investors mainly in Asia [FY2015]

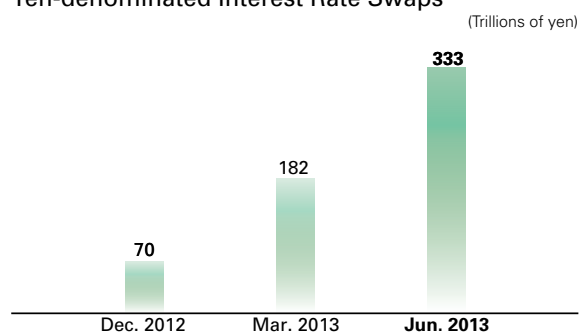
## Expand Clearing Business

Since launching clearing services for yen-denominated interest rate swaps in October 2012, the total notional amount cleared has grown to more than ¥333 trillion as of the end of June 2013, a figure that is second only to London.

Amid the global trend toward enhancing clearing operations related to OTC derivatives, JSCC will also be expanding our clearing operations into client clearing in fiscal year 2013. Furthermore, JPX will work to introduce a sophisticated risk management method for cross-margining of JGB futures and yen-denominated interest rate swaps, and also broader range of clearing services.

Clearing services for OTC derivatives and other products are provided by JPX subsidiary Japan Securities Clearing Corporation.

### Yen-denominated Interest Rate Swaps



▶ OTC Derivatives Clearing Service of JSCC [web](#)

## Establish Listed Infrastructure Market

Under the situation that Japan's national debt exceeds ¥1,000 trillion, infrastructure funds utilizing private sources etc. have been receiving attention, and in September 2012, TSE formed the "Study Group on the Listed Infrastructure Market" to supporting active finance for infrastructure business. Since then, TSE has examined the general direction of its listing system and various issues for the establishment of the listed infrastructure market in Japan and published a report in May 2013.

TSE and JPX will strive to implement initiatives toward establishing the listed infrastructure market in Japan, taking into account the intent of the recommendations etc. contained in the report, by implementing initiatives toward cultivating an environment appropriate for establishing such a market and formulating, accordingly, the necessary rules in light of the actual situation in Japan and developments in the environment.

▶ Report by the Study Group on the Listed Infrastructure Market [web](#)

## Invigorate PRO-BOND Market

TOKYO PRO-BOND Market is a bond market for professional investors intended to establish a bond market on par with Euromarket in Japan developing toward a central part of Asia's financial markets in March 2012.

In order to respond to needs for capital raise by flexible and timely issuance of bond, the market offers high usability for foreign issuers such as streamlined issuance procedures by simplified disclosure documents, allowing information disclosure in English and adopting a variety of accounting standards.

Contributing to eliminate the gap in supply and demand of funds among Asian countries, the market aims to become the Asia's top-class bond market for professional investors in FY2015 initiating improvements of market usability and inviting new issuances and investors in Asia.

▶ TOKYO PRO-BOND Market [web](#)

# Strategy toward Asia

## Become “the most preferred exchange in the Asian region,” growing together with the Asian economy

In recent years, Asia’s share of global GDP has risen significantly due to the rapid growth of its emerging economies. In our aim to become the most preferred exchange in the Asian region, JPX will work to grow together with the region by implementing our 4 core Asian strategies—enhancing communication of

Japanese market appeal to investors in Asia, strengthening our cooperative relationships with exchanges in various Asian nations, approaching Asian investors via enhanced trading infrastructure functionality, and contributing to Asian economic development via our mature infrastructure.

### Improve Communication of Japanese Market Appeal to Investors in Asia

- Improve investors’ valuation through initiatives to enhance corporate governance
- Strengthen functions of Singapore office
- Develop new indices composed of highly attractive corporations
- Implement Japanese stock caravans and derivatives promotions, and enhance marketing structure

### Strengthen Cooperative Relationship with Exchanges in Various Asian Nation

- List various ETFs and Stock Price Index Futures/Options that are related to Asian countries
- List ETFs tracking indices such as TOPIX and Futures/Options based on such indices in various Asian countries, and engage in cooperative/collaborative efforts between clearing institutions

### Approach Asian Investors via Enhanced Trading Infrastructure Functionality

- Extend trading hours for derivatives products
- Secure Asian users via provision of Co-Location services
- Expand arrowhead functions (maintain competitive edge for systems)
- Improve arrownet accessibility from the Asian region

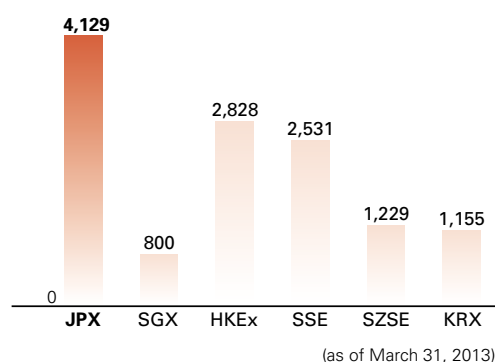
### Contribute to Asian Economic Development via JPX’s Mature Infrastructure

- Support cultivation of a capital market in Myanmar
- Leverage and stimulate the professional-oriented bond market to respond to the financial needs of emerging Asian countries
- Support IPOs by Japanese corporations shoring up Asian growth
- Contribute to emerging countries via provision of know-how regarding market operations/clearing organizations risk management (including OTC derivatives)

## JPX in Asia

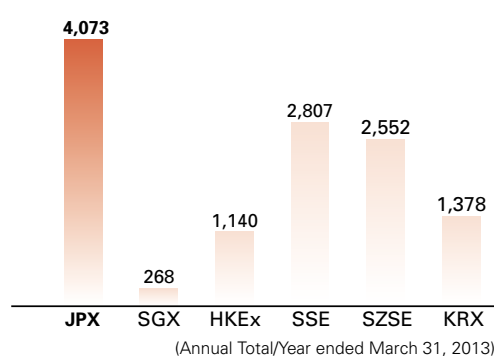
### Listed Company Market Capitalization

(Billions of U.S. dollars)



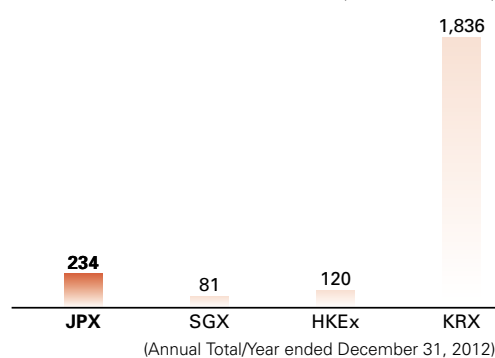
### Cash Equity Trading Value

(Billions of U.S. dollars)



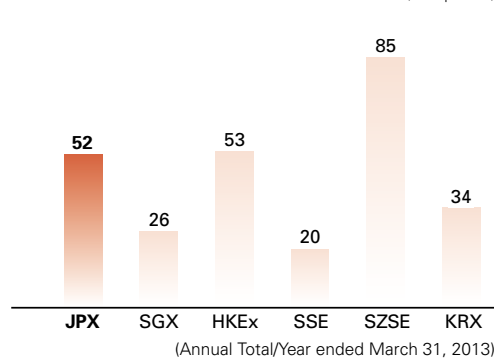
### Derivatives Trading Volume

(Millions of contracts)



### Number of IPOs

(Companies)



JPX: Japan Exchange Group, SGX: Singapore Exchange, HKEX: Hong Kong Exchanges & Clearing, SSE: Shanghai Stock Exchange, SZSE: Shenzhen Stock Exchange, KRX: Korea Exchange  
Source: WFE, FIA

# IT Strategy

## Offer an environment preferred by the world's investors through the provision of sophisticated trading systems

Stable systems operations are the prerequisite for smooth trading and maintaining the stability and reliability of the market. Also, we need to continuously improve our IT infrastructure to adequately and flexibly respond to increasingly diverse and sophisticated trading methods enabled by developments in financial technology, accommodate new product listings, and satisfy the needs of market users.

Under these circumstances, while reaffirming IT as a strategic tool and source of competitiveness, JPX will work to utilize ever advancing technologies to the greatest extent possible to establish a highly reliable and convenient market infrastructure and promote the provision of our services. Also, as a provider of markets, services, and social capital infrastructure which form the core of the exchange business, JPX will develop and maintain IT systems with our business and IT units working as a unified front.

Currently, TSE operates the arrowhead cash trading system which combines low latency, high reliability, and scalability. arrowhead is a trading platform of the highest global standard, realizing both low latency in order response and information distribution and high reliability in retaining trading records such as orders, executions, and order books on synchronized 3-node data servers. On July 16, 2013, JPX integrated the cash equity markets of TSE and OSE and consolidated cash trading to arrowhead. Thus, currently, trading on all cash markets—TSE 1st and 2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market - is handled by arrowhead.

Also, in the derivatives market, we currently have two world-class systems that are equipped with advanced trading functions and order processing

capabilities. JPX subsidiaries OSE and TSE respectively operate "J-GATE," developed for the OSE market based on NASDAQ OMX Group's Click XT, and "Tdex+ System," which is based on NYSE Liffe's LIFFE CONNECT® platform. We will consolidate the trading systems to J-GATE at the time of integrating the derivatives markets in March 2014.

In March 2013, JPX announced its first IT Master Plan. The following have been laid out in the IT Master Plan as the core IT strategies for the three-year period from FY2013 to FY2015. We will continue to invest in IT and work to improve our trading systems and infrastructure.

1. Create Synergies from Integration of Systems, etc.
2. Enhance System Foundation Supporting the Market
3. Improve Reliability of IT Infrastructure

JPX is planning to make IT investment amounting to ¥36 billion during the three-year period from FY2013 to FY2015 to implement these strategies.

### Capital Investment (3 years)

¥36 billion	(Main breakdown)	
	Cash Equities System:	¥11.0 billion
	Derivatives System:	¥10.0 billion
	Clearing System:	¥8.0 billion

▶ IT Master Plan 

**IT Strategy ① Create Synergies from Integration of Systems, etc.**

We will work toward achieving safe and steady system integration. We will also pursue the integration/optimization of system-related operations and data centers, as well as further sophistication of system development and operations. In July, we consolidated our cash market trading systems to the arrowhead. In March 2014, we will consolidate our derivatives market trading systems to J-GATE. In order to quickly realize integration benefits, we aim to complete system integration in 2014 and then proceed to reduce system-related costs by approximately ¥7 billion.

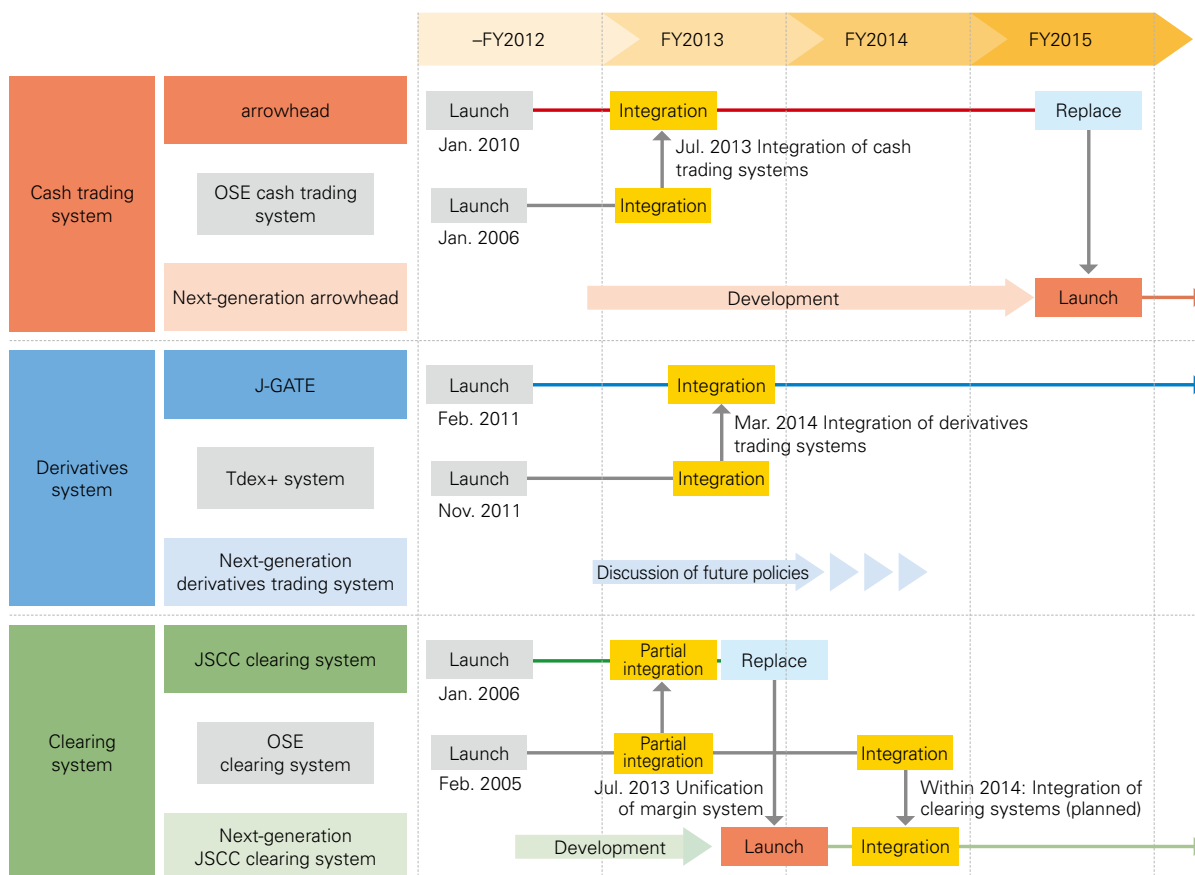
**IT Strategy ② Enhance System Foundation Supporting the Market**

In making upfront system investments to enhance market competitiveness, we will improve the functions of our current systems to further increase market convenience and liquidity, renew arrowhead in consideration of a new market design, including trading rule revisions, discuss a grand design for a next generation derivatives trading system, and expand OTC clearing system functionality.

Also, we will enhance convenience by expanding the scope of provision of arrownet and promote JPX Co-Location Services to leverage system infrastructure in expanding our services.

**IT Strategy ③ Improve Reliability of IT Infrastructure**

We will implement preventive and improvement measures based on the system malfunctions which occurred on March 4, 2013. In addition, we will continue improving operations and conducting training and education sessions to secure even more reliable and stable operations as the core infrastructure of the financial and capital markets.



\*JSCC: Japan Securities Clearing Corporation

# Self-Regulatory Functions

JPX conducts its self-regulatory operations through its subsidiary Tokyo Stock Exchange Regulation\* (hereinafter Self-Regulatory Organization), while working to ensure the fairness, reliability, and quality of the markets provided by the JPX group.

\* This corporate name is scheduled to be changed to "Japan Exchange Regulation" in April 2014.

## Self-Regulation Ensuring Market Quality

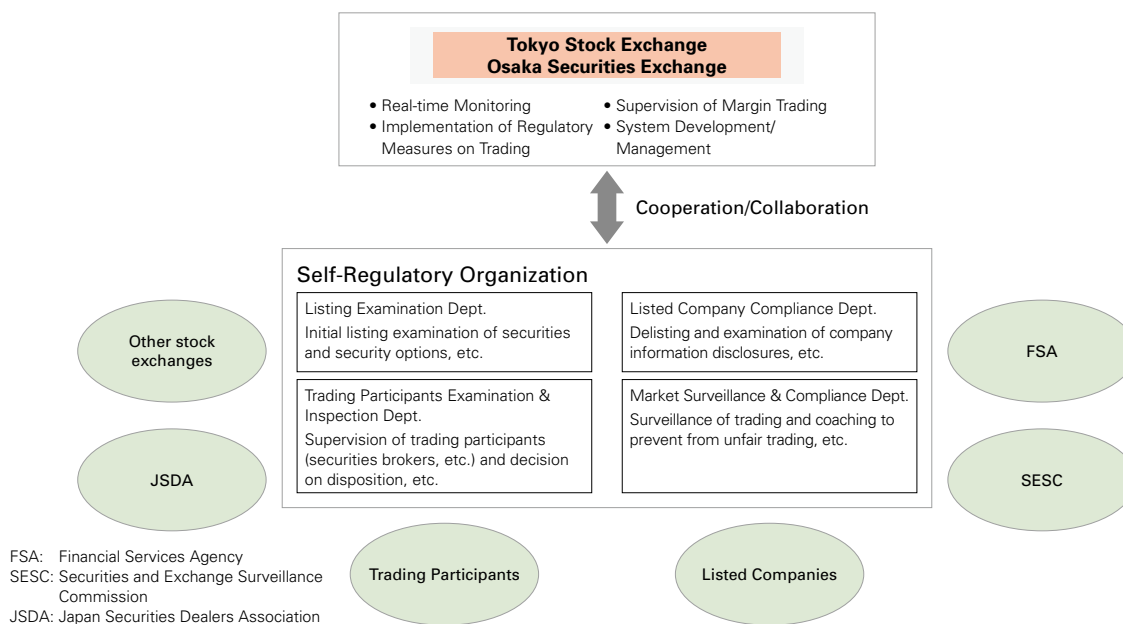
Providing a highly efficient and reliable market and ensuring fair price formation and smooth circulation are indispensable factors of a securities market, forming a foundation for the long-term prosperity of the market. In order to achieve this, it is of vital importance for the exchange, as the entity closest to the market, to fulfill self-regulatory functions and ensure the fairness and reliability of the market.

Under the self-regulatory system, the market operator can flexibly and efficiently secure the quality of the market by formulating rules based on current market conditions and ensuring their effectiveness. Thus, it serves as an important complement to the laws and regulations of Japan. Our self-regulatory activities encompass a wide scope, including the prevention of unfair trading, ensuring the effectiveness of listed company timely disclosure, and corporate governance. In each area, the Self-Regulatory Organization utilizes its proximity to the market operating exchange to enact a flexible regulatory framework which does not unnecessarily interfere with the business of market-related parties while promptly solving issues.

## Framework of Self-Regulation

JPX, a holding company, has market operation companies (TSE/OSE) and the Self-Regulatory Organization as its subsidiaries. The separation between the market operation companies and the Self-Regulatory Organization allows JPX to fulfill self-regulatory functions with a high degree of independence.

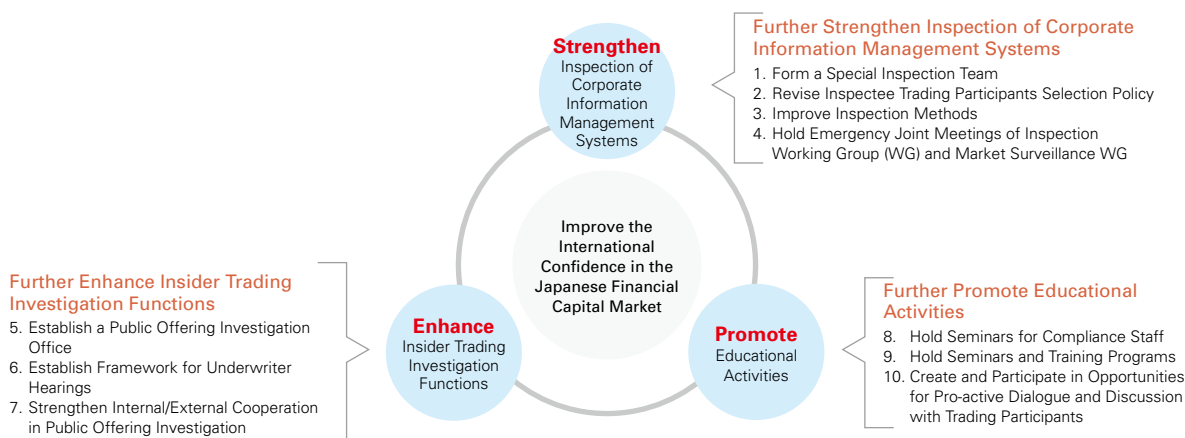
Self-regulatory operations are divided into 4 categories: "inspection," which ensures the soundness and reliability of trading participants (securities companies, etc.); "market surveillance," which investigates market manipulation, insider trading, and other types of unfair trading; "listing examination," which examines the soundness of the finances and management of companies seeking to list; and "listed company compliance," which examines listed company information disclosures and judges appropriateness of listings. The departments responsible for each of these areas work in close cooperation with related institutions both within Japan and abroad to efficiently and effectively execute self-regulatory operations.





## Initiatives in FY2012

In FY2012, with the aim of further improving the reliability of the securities market, the Self-Regulatory Organization strengthened the examination and supervisory structure for prevention of unfair trading and its reoccurrence. This included forming a special team dedicated to examining corporate information and establishing a new group to inspect public offerings. Additionally, we are engaged in spreading awareness of regulatory issues, primarily via TSE COMLEC (Compliance Learning Center), including seminars for compliance staff at trading participants and listed companies, and by pro-actively disseminating information to trading participants and conducting hearings to gather their opinions. We will continue working to encourage awareness to prevention of unfair acts and enhance the reliability of the Japanese financial capital market.



### Message from the President of Tokyo Stock Exchange Regulation

Tokyo Stock Exchange Regulation is the self-regulatory arm of Japan Exchange Group (JPX) established under the Financial Instruments and Exchange Act. Since establishment in 2007, we have been entrusted by Tokyo Stock Exchange to conduct self-regulatory operations with a high degree of neutrality and independence. We assumed the self-regulatory functions pertaining to derivatives trading at Osaka Securities Exchange on July 16, 2013 and are now responsible for self-regulation of all markets under JPX.

JPX fulfills a vital function as Japan's central market in supporting domestic and overseas fund management and capital raisings. We will take the opportunity of the business combination to renew our commitment toward building upon and further raising the quality of our self-regulatory operations. We are a crucial role as quality controller in ensuring the credibility of the TSE and OSE markets and maintaining an environment where everyone can participate with confidence. With this understanding, we will carry out our activities in a fair and appropriate manner in close collaboration with the exchanges as part of the corporate group.



Takafumi Sato  
President, Tokyo Stock Exchange Regulation

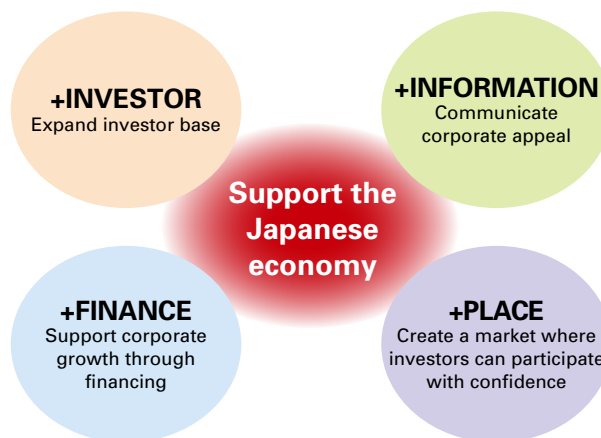
# Japan Economic Support Project “+YOU”

<http://plusyou.tse.or.jp/>

TSE launched the “+YOU” Project in April 2012 to support Japanese economic growth through maximizing the potential of the securities market. The aim of +YOU is to revitalize the Japanese economy by stimulating investors to engage in the future of Japan by way of their investment actions.

Despite large improvements in Japan’s economy since late last year due to expectations for Abenomics and other favorable elements that ignited stock price rallies, many issues remain to achieve sustained recovery of the economy. Needless to say, core among these are new investment by and business development of Japanese corporations, and the promotion of growth for new corporations.

The +YOU Project draws attention to the appeal and future prospects of individual companies with the aim of encouraging medium- to long-term investment and expanding the capital market’s investor base. To achieve this, JPX has launched activities to promote the appeal of Japanese corporations globally, together with



promotional seminars throughout Japan under the +YOU Project for individual investors and newcomers. JPX further supports the growth of corporations through IPO promotion, while establishing rules and making policy recommendations for improving the reliability and convenience of the market, with a variety of initiatives also planned for +YOU’s future.

## +INVESTOR

The majority of Japan’s ¥1,500 trillion in individual assets rests in cash deposit accounts at banks and other financial institutions. JPX aims to expand the investor base to bring those assets into the securities market. Additionally, JPX is working to improve the market convenience for institutional investors, both within Japan and abroad.

### Primary Initiatives

#### ■ Promotions for Individual Investors

JPX holds seminars for individual investors related to stock investment and investment products, such as ETFs and J-REITs, at various locations around Japan. JPX is working with securities



companies and other market-related parties to communicate the appeal of investment to a wide scope of potential investors and cultivate an interest in economy and investment within the general public.

#### ■ Provision of English Publication Service

TSE began the Company Announcements Distribution Service in English in July 2011. This service allows listed companies to disseminate English documents registered to the TSE system in a timely manner to overseas investors directly and via information vendors. In December 2012, TSE launched a service which automatically creates English version of summary information in earnings reports for companies which have difficulty with timely English translation. Through these measures, even small- and medium-sized companies which struggled with English disclosure can reach overseas investors with IR information.

▶ Details

#### ■ Japanese Stock Caravan for Overseas Institutional Investors

By actively conducting large events and individual visits overseas, JPX provides major institutional investors with information regarding the attractiveness of Japanese markets and domestic regulatory trends. In addition, JPX actively holds hearings on investor needs as a means of gathering information to improve its rules and regulations.

Visits include the following 13 cities:



## +INFORMATION

TSE is pursuing new initiatives to improve investor awareness of the appeal of approximately 3,400 listed companies in its market.

### Primary Initiatives

#### ■ Listed Company Awards

In order to promote investor-conscious management among Japanese companies, TSE created the "Corporate Value Improvement Award" to recognize listed companies that aim to improve their corporate value through initiatives which consider investor interests. Alongside the "Corporate Activity Award" which recognizes companies for policies and actions which should be encouraged, such as the appointment of independent directors, we hope to communicate the attractiveness of listed companies through these awards.



▶ [Details](#) web

#### ■ Theme Issues

TSE has also launched an initiative to select listed companies according to specific themes and draw attention to their hidden appeal, thereby providing newcomer investors with opportunities to start investment. Themes for FY2012 included "ESG," "Patent Value," and "Empowerment of Women."

▶ [ESG](#) web

▶ [Patent Value](#) web

▶ [Empowerment of Women](#) web



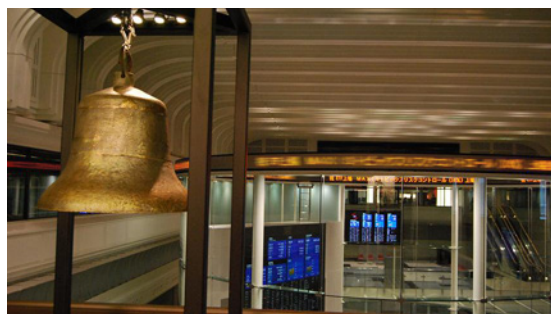
## +FINANCE

TSE proactively supports fund-raising for further growth by emerging companies and SMEs, supporting the future of industrial development through the promotion of IPOs.

### Primary Initiatives

#### ■ IPO JAPAN

IPO JAPAN involves making individual visits to corporations considering listing, holding seminars for companies preparing for listing and IPO-related parties, and supporting the listing of corporations by strengthening collaboration with local governments and groups supporting SMEs across Japan.



## +PLACE

JPX is focusing its efforts on further improving the reliability and convenience of the market by not only revising market rules but also making policy recommendations to improve regulatory framework.

### Primary Initiatives

#### ■ Initiatives to Improve Corporate Governance

In order to provide an environment in which investors may confidently invest in financial products, TSE has established an Independent Director/Auditor System and, in particular, is requesting listed companies to make efforts to appoint independent outside directors.

#### Framework for Enhanced Disclosure of Independent Director/Auditor Information

From May 2012, listed companies have been obligated to disclose information related to independent directors/auditors on Independent Director/Auditor Notifications. Additionally, rules have been implemented to request listed companies to provide such information to investors in a form that is easy to utilize when exercising voting rights, such as including it in the notice of the general shareholders meeting.

#### Establishment of Independent Outside Director/Auditor Rules based on Amended Companies Act

An amendment to the Companies Act is planned based on a proposal to require companies without outside directors/auditors to provide the "reason that appointing an outside director/auditor is inappropriate" in their business reports. (The proposal was approved by the Legislative Council Companies Act Subcommittee in August 2012 and adopted by the Legislative Council in September.) The proposal includes an accompanying resolution that "there is a need to establish discipline in the rules and regulations of financial instruments exchanges to the effect that listed companies shall strive to secure at least one independent board member that is an outside director," and TSE is proceeding with a revision to its listing rules to such effect. Also, listed companies are required to make efforts to secure independent outside directors/auditors, including discussion on the transition to become a "company with an audit and supervisory committee."

► [TSE Listed Companies White Paper on Corporate Governance](#) web

#### ■ Rule Improvements and Proposals to Enhance the Convenience and Liquidity of Japanese Stock Trading

The development and adjustment of market rules and the surrounding regulatory environment are vital to improving investor convenience. JPX is, in addition to revising its own rules, engaged in research and proposals for measures and rules which go beyond its own market to invigorate the financial capital market as a whole.

#### Revision to Margin Transaction Collateral System

Coinciding with a Cabinet Office Ordinance amendment in January 2013, TSE revised the calculation method for collateral pertaining to margin transactions, changing the timing of collateral calculation from the delivery date to the execution date. This revision is recognized to have improved the convenience of margin transactions and boosted the share of individual investors, the primary users of margin transactions.

#### Harmonize Short Selling Regulations with International Rules

In Japan, short selling at prices below the most recent execution price is prohibited, as a general rule (the "Uptick Rule"). TSE has been working to harmonize with international rules, including releasing a working paper in September 2012 on short selling conditions and impact of short selling regulations within the TSE market. The Uptick Rule is scheduled to be revised in November 2013 and applied to issues which fell 10% or more from the previous day's closing price.

# CSR

JPX utilizes its know-how as a market operator to contribute to the development of the financial capital market through efforts to cultivate human resources and support education for the next generation, while also contributing to society through a broad range of activities aimed at supporting regional and international communities.

## Provision of Financial Education Programs

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Sound economic development and democratization of the securities market are vital to achieving continuous and vibrant social progress. JPX is actively engaged in spreading financial literacy through the provision of adult-oriented lectures at TSE Academy, support for classes for students from elementary school through university, seminars for teachers, and many other initiatives.

## Educational Support

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With the aim of improving the level of financial research and academics, JPX holds endowed courses on the structure of the securities market and listing/disclosure rules and frameworks at major universities including Keio University and Sophia University. Additionally, JPX helped to establish a research unit within Osaka University's Center for the Study of Finance and Insurance to further improve the standard of derivatives research.

## International Initiatives

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In order to contribute to the development of capital and securities markets in East Asia, JPX has partnered with JICA (Japan International Cooperation Agency) since 1990s to conduct a training program for personnel from securities exchanges in the region. In May 2012, JPX concluded an MOU to establish a securities exchange in Myanmar and cultivate its capital market. Since then, JPX has conducted a training program for trainees from the Central Bank of Myanmar and the Myanmar Economic Bank, dispatched JPX staff to the country, and proactively held seminars and workshops on topics including capital markets and securities exchanges. Moving forward, JPX will continue working with its partners in Myanmar toward the development of rules, systems, and other matters in order to establish a securities exchange by 2015.

## Environmental Initiatives

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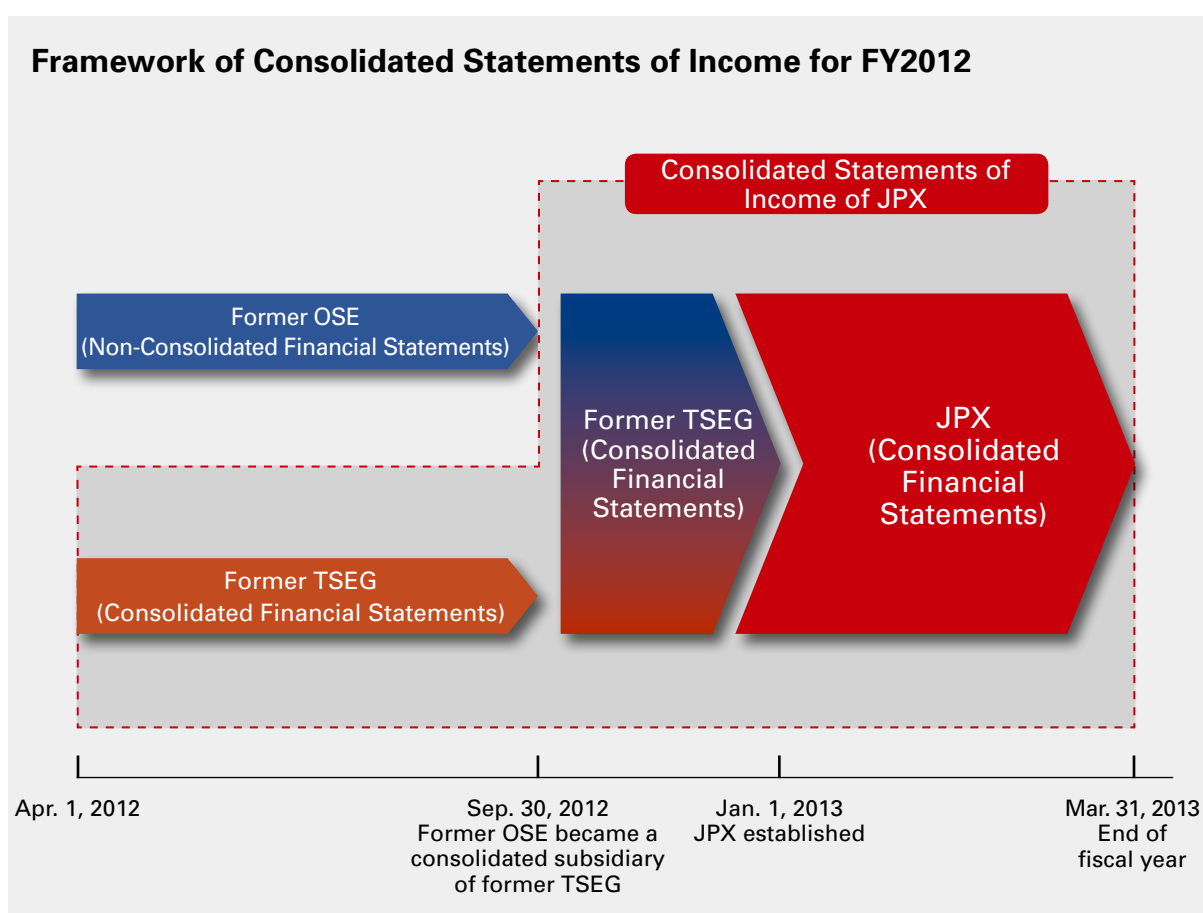
JPX actively seeks to reduce its environmental burden through power-saving measures related to lighting and air-conditioning in its facilities. Additionally, in June 2004, JPX began the "TSE Listing Forest" in Yurihonjo, Akita prefecture to increase employee awareness of environmental preservation activities via annual tree planting. JPX also contributes to improving the local environment through cherry blossom tree planting at Nakanoshima, and cleaning events at Saikaisuji in Osaka prefecture.

JPX will continue working to lower the environmental impact of its businesses and contribute to the realization of a sustainable society.

# Consolidated Financial Statements

Based on the Accounting Standard for Business Combinations, the consolidated financial statements for this fiscal year incorporate those of Tokyo Stock Exchange Group, Inc. prior to the business combination (former TSEG). As such, they present a total of former TSEG's consolidated results from April 1, 2012 to December 31, 2012 and JPX's consolidated results from January 1, 2013 to March 31, 2013. Furthermore, because the deemed date of acquisition of Osaka Securities Exchange Co., Ltd. prior to the business combination (former OSE) by former TSEG is September 30, 2012, the financial statements for this fiscal year do not include the 6 months of former OSE's profits/losses from April 1, 2012 to September 30, 2012.

## Framework of Consolidated Statements of Income for FY2012



## Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2013

<b>Assets</b>	
Current assets	
Cash and deposits	120,808
Operating accounts receivable	8,716
Work in process	2,467
Deferred tax assets	1,282
Margin funds for derivatives and when-issued transactions	789,201
Deposits for clearing funds	161,086
Deposits as collateral for facilitating settlement	10,000
Other	1,912
Allowance for doubtful accounts	(9)
Total current assets	1,095,466
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	9,207
Accumulated depreciation	(6,681)
Buildings and structures, net	2,525
Land	1,587
Other	19,776
Accumulated depreciation	(15,216)
Other, net	4,560
Total property, plant and equipment	8,673
Intangible assets	
Goodwill	67,374
Other	23,370
Total intangible assets	90,744
Investments and other assets	
Investment securities	41,304
Long-term loans receivable	37
Deferred tax assets	2,682
Legal guarantee funds	600
Special assets for default compensation reserve funds	27,948
Other	9,105
Allowance for doubtful accounts	(177)
Total investments and other assets	81,501
Total noncurrent assets	180,919
Total assets	1,276,386

## Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2013

<b>Liabilities</b>	
<b>Current liabilities</b>	
Operating accounts payable	3,221
Short-term loans payable	18,670
Current portion of long-term loans payable	86,399
Income taxes payable	6,312
Provision for bonuses	1,223
Provision for directors' bonuses	252
Margin funds received for derivatives and when-issued transactions	789,201
Deposits received for clearing funds	161,086
Deposits received as collateral for facilitating settlement	10,000
Deposits received as trading participant security money	3,169
Other	3,620
<b>Total current liabilities</b>	<b>1,083,157</b>
<b>Noncurrent liabilities</b>	
Deferred tax liabilities	5,047
Provision for retirement benefits	7,580
Returnable legal guarantee funds	600
Other	922
<b>Total noncurrent liabilities</b>	<b>14,151</b>
<b>Total liabilities</b>	<b>1,097,308</b>
<b>Net assets</b>	
<b>Shareholders' equity</b>	
Capital stock	11,500
Capital surplus	59,726
Retained earnings	96,213
<b>Total shareholders' equity</b>	<b>167,440</b>
<b>Accumulated other comprehensive income</b>	
Valuation difference on available-for-sale securities	9,088
<b>Total accumulated other comprehensive income</b>	<b>9,088</b>
Minority interests	2,548
<b>Total net assets</b>	<b>179,077</b>
<b>Total liabilities and net assets</b>	<b>1,276,386</b>



## Consolidated Statements of Income

(Millions of yen)

Financial year ended  
March 31, 2013

Operating revenue	
Trading participant fees	29,868
Listing fees	9,216
Income from information services	12,828
Income from securities settlement	10,916
Other	8,879
Total operating revenue	71,708
Operating expenses	
Personal expenses	12,945
Rent expenses on real estates	5,842
System maintenance & operation costs	8,699
Depreciation	11,275
Other	13,389
Total operating expenses	52,152
Operating income	19,555
Non-operating income	
Interest income	306
Dividends income	949
Equity in earnings of affiliates	395
Trading participant penalty	316
Other	288
Total non-operating income	2,255
Non-operating expenses	
Interest expenses	110
Office transfer related expenses	44
Other	24
Total non-operating expenses	180
Ordinary income	21,631
Extraordinary loss	
Impairment loss	1,554
Business consolidation costs	673
Total extraordinary losses	2,227
Income before income taxes and minority interests	19,404
Income taxes-current	8,640
Income taxes-deferred	(571)
Total income taxes	8,068
Income before minority interests	11,336
Minority interests in income	394
Net income	10,941

## Consolidated Statements of Comprehensive Income

	(Millions of yen)
	Financial year ended March 31, 2013
Income before minority interests	11,336
Other comprehensive income	
Valuation difference on available-for-sale securities	4,214
Share of other comprehensive income of associates accounted for using equity method	0
Total other comprehensive income	4,214
Comprehensive income	15,550
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	15,156
Comprehensive income attributable to minority interests	394

## Consolidated Statements of Change in Equity

(Millions of yen)

As of March 31, 2013

Shareholders' equity	
Capital stock	
Balance at the beginning of current period	11,500
Changes of items during the period	
Total changes of items during the period	—
Balance at the end of current period	11,500
Capital surplus	
Balance at the beginning of current period	25,358
Changes of items during the period	
Increase by merger	34,367
Total changes of items during the period	34,367
Balance at the end of current period	59,726
Retained earnings	
Balance at the beginning of current period	87,205
Changes of items during the period	
Dividends from surplus	(1,932)
Net income	10,941
Total changes of items during the period	9,008
Balance at the end of current period	96,213
Treasury stock	
Balance at the beginning of current period	(4,332)
Changes of items during the period	
Increase by merger	4,332
Total changes of items during the period	4,332
Balance at the end of current period	—
Total shareholders' equity	
Balance at the beginning of current period	119,731
Changes of items during the period	
Dividends from surplus	(1,932)
Net income	10,941
Increase by merger	38,700
Total changes of items during the period	47,708
Balance at the end of current period	167,440
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	
Balance at the beginning of current period	4,873
Changes of items during the period	
Net changes of items other than shareholders' equity	4,214
Total changes of items during the period	4,214
Balance at the end of current period	9,088
Total accumulated other comprehensive income	
Balance at the beginning of current period	4,873
Changes of items during the period	
Net changes of items other than shareholders' equity	4,214
Total changes of items during the period	4,214
Balance at the end of current period	9,088

## Consolidated Statements of Change in Equity

(Millions of yen)

As of March 31, 2013

<b>Minority interests</b>	
Balance at the beginning of current period	2,516
<b>Changes of items during the period</b>	
Net changes of items other than shareholders' equity	31
<b>Total changes of items during the period</b>	<b>31</b>
Balance at the end of current period	2,548
<b>Total net assets</b>	
Balance at the beginning of current period	127,122
<b>Changes of items during the period</b>	
Dividends from surplus	(1,932)
Net income	10,941
Increase by merger	38,700
Net changes of items other than shareholders' equity	4,246
<b>Total changes of items during the period</b>	<b>51,955</b>
Balance at the end of current period	179,077

## Consolidated Statements of Cash Flows

(Millions of yen)

	Financial year ended March 31, 2013
<b>Net cash provided by (used in) operating activities</b>	
Income before income taxes and minority interests	19,404
Depreciation and amortization	11,523
Impairment loss	1,554
Amortization of goodwill	1,474
Increase (decrease) in allowance for doubtful accounts	(23)
Increase (decrease) in provision for bonuses	87
Increase (decrease) in provision for directors' bonuses	55
Increase (decrease) in provision for retirement benefits	210
Interest and dividends income	(1,256)
Interest expenses	110
Equity in (earnings) losses of affiliates	(395)
Decrease (increase) in operating receivables	(2,755)
Decrease (increase) in inventories	(1,153)
Increase (decrease) in operating debt	25
Other, net	1,075
Subtotal	<u>29,936</u>
Interest and dividends income received	1,420
Interest expenses paid	(108)
Income taxes paid	(7,321)
Net cash provided by (used in) operating activities	<u>23,928</u>
<b>Net cash provided by (used in) investing activities</b>	
Payments into time deposits	(121,300)
Proceeds from withdrawal of time deposits	95,900
Proceeds from redemption of securities	1,011
Purchase of property, plant and equipment	(994)
Purchase of intangible assets	(5,583)
Purchase of investment securities	(135)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(81,621)
Proceeds from withdrawal of long-term deposits	3,000
Other, net	64
Net cash provided by (used in) investing activities	<u>(109,659)</u>
<b>Net cash provided by (used in) financing activities</b>	
Increase in short-term loans payable	18,670
Decrease in short-term loans payable	(17,570)
Proceeds from long-term loans payable	86,399
Cash dividends paid	(1,932)
Cash dividends paid to minority shareholders	(407)
Proceeds from stock issuance to minority	2,090
Other, net	(0)
Net cash provided by (used in) financing activities	<u>87,248</u>
Effect of exchange rate change on cash and cash equivalents	11
Net increase (decrease) in cash and cash equivalents	<u>1,529</u>
Cash and cash equivalents at beginning of period	<u>27,779</u>
Cash and cash equivalents at end of period	<u>29,308</u>

# Market Data

## Trading Volume/Value

	FY2011	FY2012				Full Year (Apr. 1, 2012– Mar. 31, 2013)
	Full Year (Apr. 1, 2011– Mar. 31, 2012)	1Q (Apr. 1, 2012– Jun. 30, 2012)	2Q (Jul. 1, 2012– Sep. 30, 2012)	3Q (Oct. 1, 2012– Dec. 31, 2012)	4Q (Jan. 1, 2013– Mar. 31, 2013)	
<b>Cash Equities Trading Value (Millions of yen)*1</b>						
TSE market 1st/2nd section	317,184,778	74,945,391	65,898,132	81,855,597	138,975,698	<b>361,674,820</b>
OSE market 1st/2nd section	8,919,847	1,622,350	1,371,564	1,828,167	2,768,224	<b>7,590,305</b>
Mothers	3,848,692	659,877	661,086	1,129,330	3,348,301	<b>5,798,596</b>
JASDAQ	5,077,042	1,262,229	957,928	1,551,488	3,674,444	<b>7,446,091</b>
<b>Derivatives Trading Volume (Contracts)</b>						
TOPIX futures	14,228,547	4,008,210	3,729,113	3,776,656	5,196,028	<b>16,710,007</b>
Total Nikkei 225 Futures*2	29,371,654	8,592,506	7,413,381	8,573,728	12,926,625	<b>37,506,240</b>
Nikkei 225 Futures	17,979,219	5,206,854	4,389,045	5,058,413	7,369,366	<b>22,023,678</b>
Nikkei 225 mini	113,924,352	33,856,526	30,243,360	35,153,145	55,572,590	<b>154,825,621</b>
Nikkei 225 Options (Millions of yen)	4,630,065	1,213,137	1,029,247	1,253,161	2,271,580	<b>5,767,127</b>
10-year JGB futures	7,209,562	2,451,382	2,114,685	2,226,941	2,688,395	<b>9,481,403</b>

\*1 Trading value of common stocks

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

## Average Daily Trading Volume/Value

	FY2011	FY2012				Full Year (Apr. 1, 2012– Mar. 31, 2013)
	Full Year (Apr. 1, 2011– Mar. 31, 2012)	1Q (Apr. 1, 2012– Jun. 30, 2012)	2Q (Jul. 1, 2012– Sep. 30, 2012)	3Q (Oct. 1, 2012– Dec. 31, 2012)	4Q (Jan. 1, 2013– Mar. 31, 2013)	
<b>Cash Equities Trading Value (Millions of yen)*1*2</b>	1,361,912	1,265,965	1,093,472	1,392,977	2,564,943	<b>1,561,265</b>
<b>Derivatives Trading Volume (Contracts)</b>						
TOPIX futures	57,840	64,649	59,192	60,914	89,587	<b>68,204</b>
Total Nikkei 225 Futures*3	119,396	138,589	117,673	138,286	222,873	<b>153,087</b>
Nikkei 225 Futures	73,086	83,982	69,667	81,587	127,058	<b>89,893</b>
Nikkei 225 mini	463,107	546,073	480,053	566,986	958,148	<b>631,941</b>
Nikkei 225 Options (Millions of yen)	18,821	19,567	16,337	20,212	39,165	<b>23,539</b>
10-year JGB futures	29,307	39,538	33,566	35,918	46,352	<b>38,700</b>

\*1 Trading value of common stocks

\*2 Total of trading value in TSE 1st/2nd Sections including OSE 1st/2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market

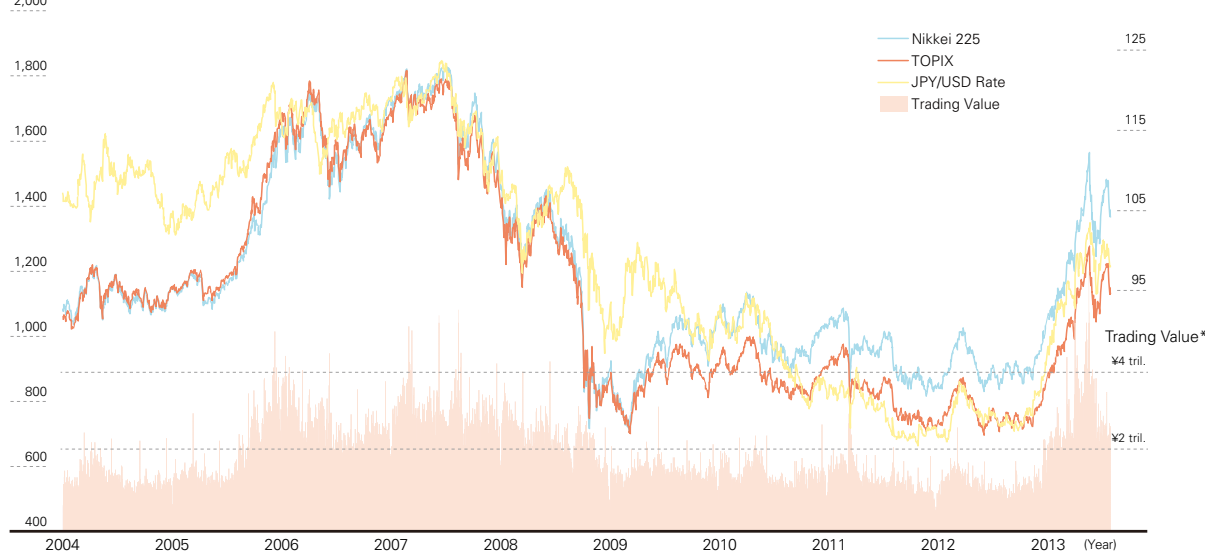
\*3 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

## Japanese Stock Market

Nikkei 225 (¥10)

TOPIX (Points)

2,000



\* Average Daily Trading Value on TSE (Before July 16, 2013, including former OSE 1st/2nd Sections and JASDAQ)

# History

## History of Tokyo Stock Exchange Group, Inc.

May 1878	Predecessor of Tokyo Stock Exchange established.
Apr. 1949	Tokyo Stock Exchange founded. (Equity trading started in May 1949)
Jul. 1969	TOPIX (Tokyo Stock Price Index) inaugurated.
Oct. 1985	Trading in 10-year Japanese government bond futures started.
Sep. 1988	Trading in TOPIX futures started.
Oct. 1989	Trading in TOPIX options started.
Nov. 1999	The MOTHERS market for high-growth and emerging companies established.
Nov. 2001	Tokyo Stock Exchange, Inc. established after demutualization of TSE.
Jan. 2002	Contributed capital in the demutualization of Japan Securities Depository Center, Inc. (JASDEC)
Feb. 2002	Changed corporate relationship with Tosho Computer System Co., Ltd. from subsidiary to affiliate and made TOSHO SYSTEM SERVICE CO., LTD. a subsidiary.
Jul. 2002	All the five stock exchanges in Japan and Japan Securities Dealers Association (JSDA) agreed to establish Japan Securities Clearing Corporation (JSCC) as the central counterparty clearing house.
Jul. 2004	Established ICJ, Inc. with JSDA and Automatic Data Processing, Inc. (now Broadridge Nederland II B.V.)
Jun. 2007	Acquired stake in Singapore Exchange Ltd.
Aug. 2007	Transitioned to a holding company structure with the establishment of Tokyo Stock Exchange Group, Inc. by stock transfer of Tokyo Stock Exchange, Inc.
Oct. 2007	Tokyo Stock Exchange Regulation established.
Jun. 2009	TOKYO AIM, Inc., jointly established with London Stock Exchange plc., started operations. (Merged into Tokyo Stock Exchange, Inc. in Jul. 2012)
Jan. 2010	New cash trading system "arrowhead" launched.

## History of Osaka Securities Exchange Co., Ltd.

Jun. 1878	Predecessor of Osaka Securities Exchange established.
Apr. 1949	Osaka Securities Exchange established. (Equity trading started in May 1949)
Sep. 1988	Trading in Nikkei Stock Average Futures (Nikkei 225 Futures) started.
Jun. 1989	Trading in Nikkei Stock Average Options (Nikkei 225 Options) started.
May. 2000	Nasdaq Japan Market established. (Trading on Nasdaq Japan Market started in Jun. 2000.)
Apr. 2001	OSE demutualized.
Dec. 2002	Changed the name of the Nasdaq Japan Market to Nippon New Market—"Hercules."
Apr. 2004	Listed OSE shares on Nippon New Market—Hercules.
Jul. 2006	Set up Self-Regulation Committee (internal committee under board of directors). Trading in Nikkei 225 minis started.
Sep. 2007	Evening session trading (from 16:30 to 19:00 for index futures/options) started.
Jul. 2009	Exchange FX Margin Trading (OSE-FX) started.
Apr. 2010	Merged with JASDAQ Securities Exchange, Inc.
Oct. 2010	Started operations of new JASDAQ—the integrated market of Hercules, JASDAQ, and NEO.
Feb. 2011	New derivatives trading system "J-GATE" launched.
Jul. 2011	Night session trading (extending index futures/options trading hours to 3:00 on the next day) started. Signed strategic partnership with CME Group.

**Nov. 2011** Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange Co., Ltd. agreed to conduct a business combination.

**Jan. 2013** Japan Exchange Group, Inc. established.



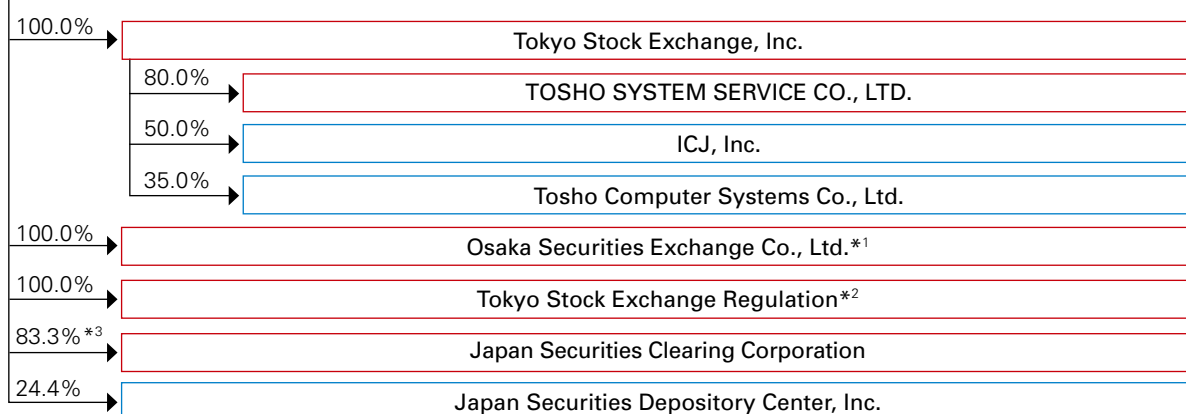
# Corporate Information/Stock Information

(As of October 1, 2013)

## Corporate Information

Company Name:	Japan Exchange Group, Inc.										
Number of Directors:	14 directors, 9 executive officers										
Location of Head Office:	2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo 103-8224 Japan										
Foundation:	April 1, 1949										
Amount of Capital:	¥11,500 million										
Number of Employees:	1,162 (Consolidated)										
	<Breakdown>										
	<table> <tr> <td>Japan Exchange Group, Inc.</td> <td>212</td> </tr> <tr> <td>Tokyo Stock Exchange, Inc.</td> <td>470</td> </tr> <tr> <td>Osaka Securities Exchange Co., Ltd.</td> <td>126</td> </tr> <tr> <td>Tokyo Stock Exchange Regulation</td> <td>199</td> </tr> <tr> <td>Other consolidated subsidiaries</td> <td>155</td> </tr> </table>	Japan Exchange Group, Inc.	212	Tokyo Stock Exchange, Inc.	470	Osaka Securities Exchange Co., Ltd.	126	Tokyo Stock Exchange Regulation	199	Other consolidated subsidiaries	155
Japan Exchange Group, Inc.	212										
Tokyo Stock Exchange, Inc.	470										
Osaka Securities Exchange Co., Ltd.	126										
Tokyo Stock Exchange Regulation	199										
Other consolidated subsidiaries	155										
Business Description:	Management of a stock company-type financial instruments exchange and other business incidental thereto										

## Japan Exchange Group, Inc.



\*1 This trade name is scheduled to be changed to "Osaka Exchange, Inc." in March 2014.

\*2 This corporate name is scheduled to be changed to "Japan Exchange Regulation" in April 2014.

\*3 Class A shares: 99.2% / Class B shares: 100.0% / Class C shares: 58.2% / Class D shares: 52.9%

□ Subsidiary □ Equity-method affiliate

## Stock Information

Stock Code:	8697
Listed Exchange:	Tokyo Stock Exchange (1st Section)
Business Year:	From April 1 to March 31
Annual General Shareholders Meeting:	In June
Record Date:	March 31
Number of Shares in One Trading Unit:	100 shares
Number of Shares:	Total number of shares authorized to be issued: 1,090,000,000 shares Total number of shares issued: 274,534,550 shares
Basic Policy on Profit Distribution:	Giving due consideration to the importance of internal reserves for the purpose of development of the system for strengthening competitiveness, etc. as an exchange, and for the purpose of being prepared for the risks as the clearing organization, JPX makes it a principle to conduct stable and continuous payment of dividends. Specifically, JPX aims at a target dividend payout ratio of around 40%.