



YOUR EXCHANGE OF CHOICE

JPX Report 2016

JAPAN EXCHANGE GROUP, INC.

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ESG

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On the publication of JPX Report 2016

Japan Exchange Group, Inc., conducts business in accordance with our corporate philosophy of contributing to the realization of an affluent society by promoting sustainable development of the market. Earning the support and confidence of all of our stakeholders—including shareholders, market users, and local communities—for the way our business is conducted is vital to achieving this mission. In preparing this report on our activities in FY2015, we referenced the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), our aim being to provide all of our stakeholders with a longer-term understanding of JPX’s corporate philosophy and the significance of our existence in this society, along with the concrete initiatives and actions that evolve from these concepts. We will continue working to enhance our reports in the future and ask for your ongoing support.

STEP UP TO THE NEXT

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.

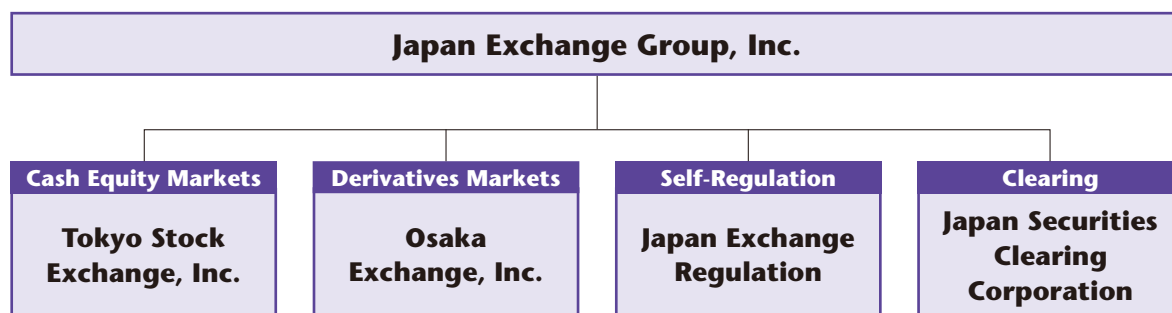
Overview of JPX

Japan Exchange Group, Inc. (JPX) was formed through the merger between Tokyo Stock Exchange Group (TSE) and Osaka Securities Exchange (OSE) in January 2013.

JPX offers comprehensive market and trading services covering a wide array of financial instruments, from cash equities to derivatives.



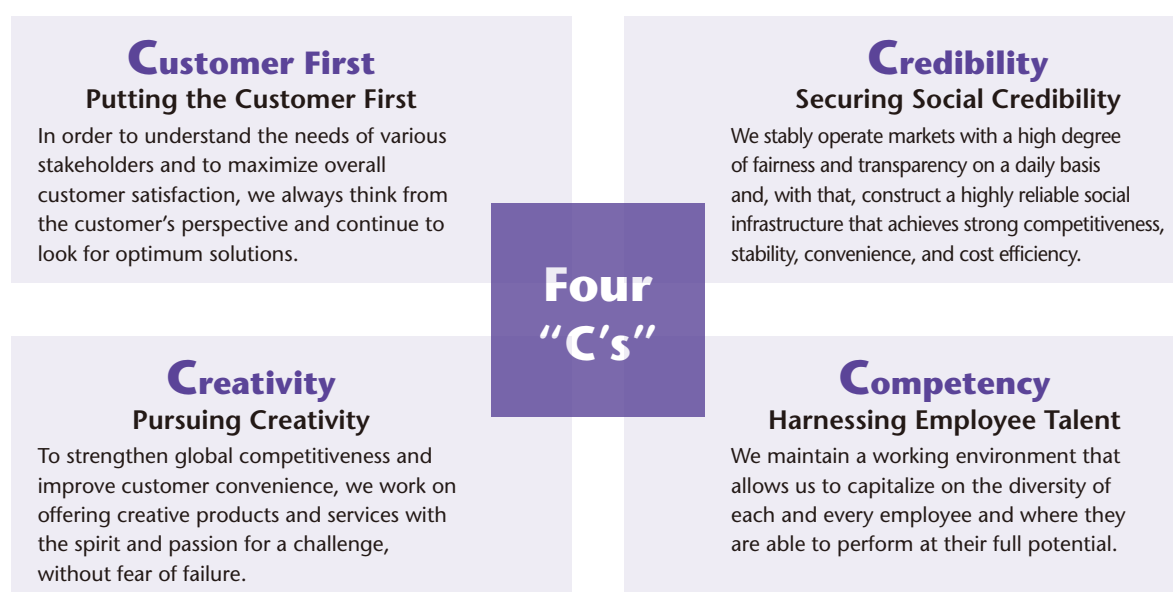
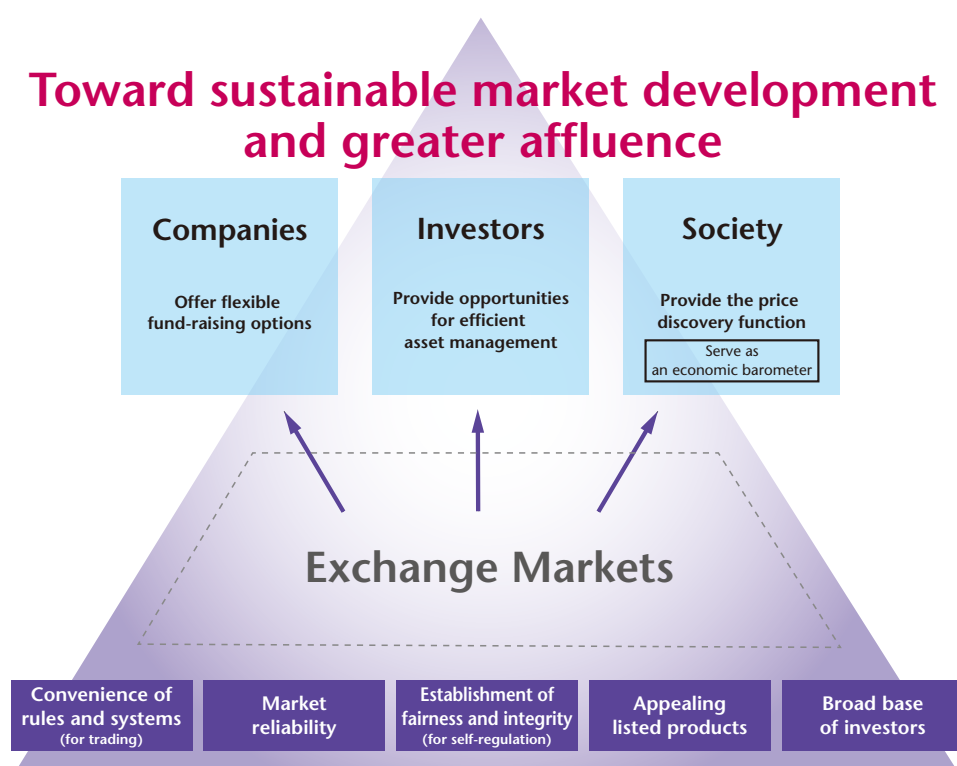
JPX Organizational Structure



Corporate Philosophy/Creed—Four “C’s”

Our mission is to contribute to the realization of an affluent society by promoting sustainable development of the market. Committed to our public nature and credibility, we build highly convenient, efficient, and transparent markets, and provide creative and attractive services.

Our efforts help us attract the support and confidence of investors and market users and reap the rewards in the form of profits.



History of JPX

The Tokyo and Osaka exchanges were established in 1878, soon after the Meiji Restoration and the start of Japan's modern era. Constantly changing with the times and serving as the engine of the Japanese economy, JPX will continue to drive sustainable economic growth in Japan and contribute to the global economy.

Modernization of Japan and the Recovery of the Economy

1878

A group including Eiichi Shibusawa, who is known as the father of capitalism in Japan, established Tokyo Stock Exchange. That same year, a group including Tomoatsu Godai, a businessman who is instrumental in the economic development of Osaka, established Osaka Stock Exchange.

1949

Tokyo Stock Exchange (TSE) and Osaka Securities Exchange (OSE) are established as membership organizations and begin equity trading in May of that year.



Eiichi Shibusawa



Tomoatsu Godai

Era of High Growth and Globalization

1969

Calculation of Tokyo Stock Price Index (TOPIX) begins.

1973

Foreign stocks are listed in response to internationalization.

1974

Market Information System goes into operation to transmit the latest market information. In 1982, the Second Section Trading System goes into operation, marking progress in the development of the securities market.

1985

TSE begins trading of government bonds futures.

1988

TSE begins trading of TOPIX futures and OSE begins trading of Nikkei Stock Average (Nikkei 225) futures.



OSE begins trading in Nikkei 225 stock index futures.

Key Economic Events

1878

TSE and OSE begin trading

1944

Japan pegs yen exchange rate to the U.S. dollar

1965

First deficit-financing bonds are issued

1971

Nixon shock

1952

Japan joins the IMF

1973

Yen transitions to floating exchange rate
1st oil crisis

1882

The Bank of Japan is founded

1929

The Great Depression

1979

2nd oil crisis

1878

1920

1950

1960

1970

1980

1914

World War I

1956

Japan joins the UN

1964

Tokyo Olympics

1939

World War II

1980

Iran-Iraq War

Key Historical Events

Building the Foundations for Growth and the New Era

1999

TSE launches Mothers, a market for new emerging companies, with OSE following suit in 2000 in the form of NASDAQ Japan (now integrated into JASDAQ).

The trading floors at both TSE and OSE are closed. After this, buying and selling of stocks and other listed issues become computerized.

2001

Amid increasing global market competition, TSE and OSE become stock corporations.

ETF and J-REIT markets are established.

2003

Japan Securities Clearing Corporation goes into operation.

2004

OSE lists on OSE Hercules to become Japan's first public exchange.



"NASDAQ Japan exchange" is established.

Birth of JPX

2013

Japan Exchange Group is formed through the merger between TSE Group and OSE.

The OSE cash equity market is merged with the TSE cash equity market.

OSE derivatives settlement functions are integrated into Japan Securities Clearing Corporation.

Japan Securities Clearing Corporation merges with Japanese Government Bond Clearing Corporation.

2014

OSE (Osaka Securities Exchange) changes its name to Osaka Exchange.

The OSE derivatives market merges with the TSE derivatives market.

Name of TSE Regulation is changed to Japan Exchange Regulation.

Calculation of JPX-Nikkei Index 400 and trading of futures on the index begin.

2015

Renewal of the arrowhead cash equity trading system

2016

Launch of the new J-GATE derivatives trading system



TSE Group merges with OSE and JPX is established.

1988

Trading value and market capitalization of TSE rises to the highest level in the world

1989

Nikkei Stock Average reaches record high of ¥38,915.87

1991

Nikkei 225 Futures on a trading value basis rises to the highest in the world

1990

German reunification

1991

The Soviet Union collapses

1995

Great Hanshin-Awaji Earthquake

1997

Hong Kong returns to China

1997

Asian currency crisis

1999

Bank of Japan's zero interest rate policy

2002

Euro goes into circulation

2001

9/11 terrorist attacks in the U.S.

2003

War in Iraq begins

2007

Global financial crisis

2013

Bank of Japan embarks on monetary easing policy

2016

Negative interest rates are introduced

2011

Great East Japan Earthquake

Aiming to Create Corporate Value

**WE
PROVIDE**

**Market infrastructure
to vitalize the economy**

**WE
FOCUS
ON**

Customer First

Credibility

Creativity

Competency

**WE
ENSURE**

**Fair and liquid
markets for equity
and derivatives
trading**

**Listed product quality
and accurate
information disclosure**

**System reliability
through guaranteed
clearing and
settlement**

**An environment
conductive to efficient
and innovative
business**

WE WORK ON

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

Supporting listed companies in enhancing corporate value

Fulfilling social mission by reinforcing market infrastructure

Creating new horizons of exchange business

WE CREATE VALUE

Realize an affluent society through sustainable development of the market

Provide companies with fund-raising opportunities

Generate added value through new products and services

Provide investors with asset management opportunities

Promote wealth formation through effective asset management

Provide markets for price discovery

Contribute to valuation in economic activity through formation and provision of fair prices

Snapshot

Operating Revenue

(Billions of yen)

114.7

Operating Expenses

(Billions of yen)

50.9

EPS¹ (Yen)

81.74

Dividends per Share² (Yen)

50

ROE (%)

18.2

Operating Revenue

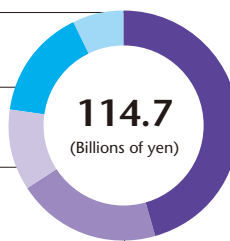
Other
8.2 (7%)

Information Services Revenue
17.7 (15%)

Listing Services Revenue
13.2 (12%)

Trading Services Revenue
(46%) **52.4**

Clearing Services Revenue
(20%) **23.1**



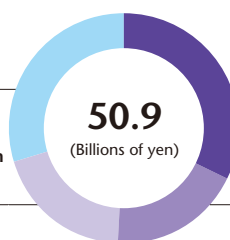
Operating Expenses

Other
15.0 (30%)

Depreciation and Amortization
9.9 (20%)

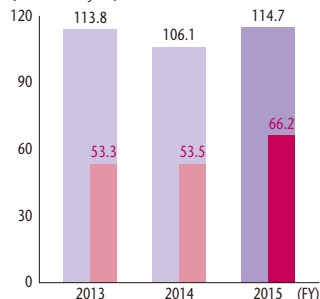
Personnel Expenses
(32%) **16.4**

System Maintenance & Operation Expenses
(19%) **9.4**



Operating Revenue/ Operating Income

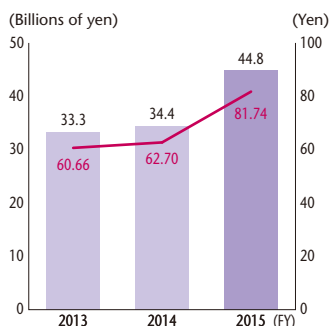
(Billions of yen)



■ Operating Revenue
■ Operating Income

Net Income³/EPS¹

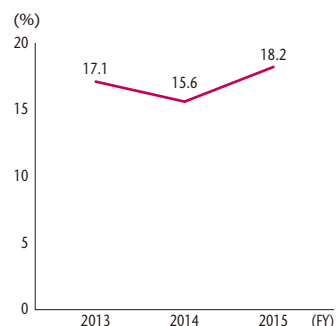
(Billions of yen)



■ Net Income (left axis)
■ EPS (right axis)

ROE

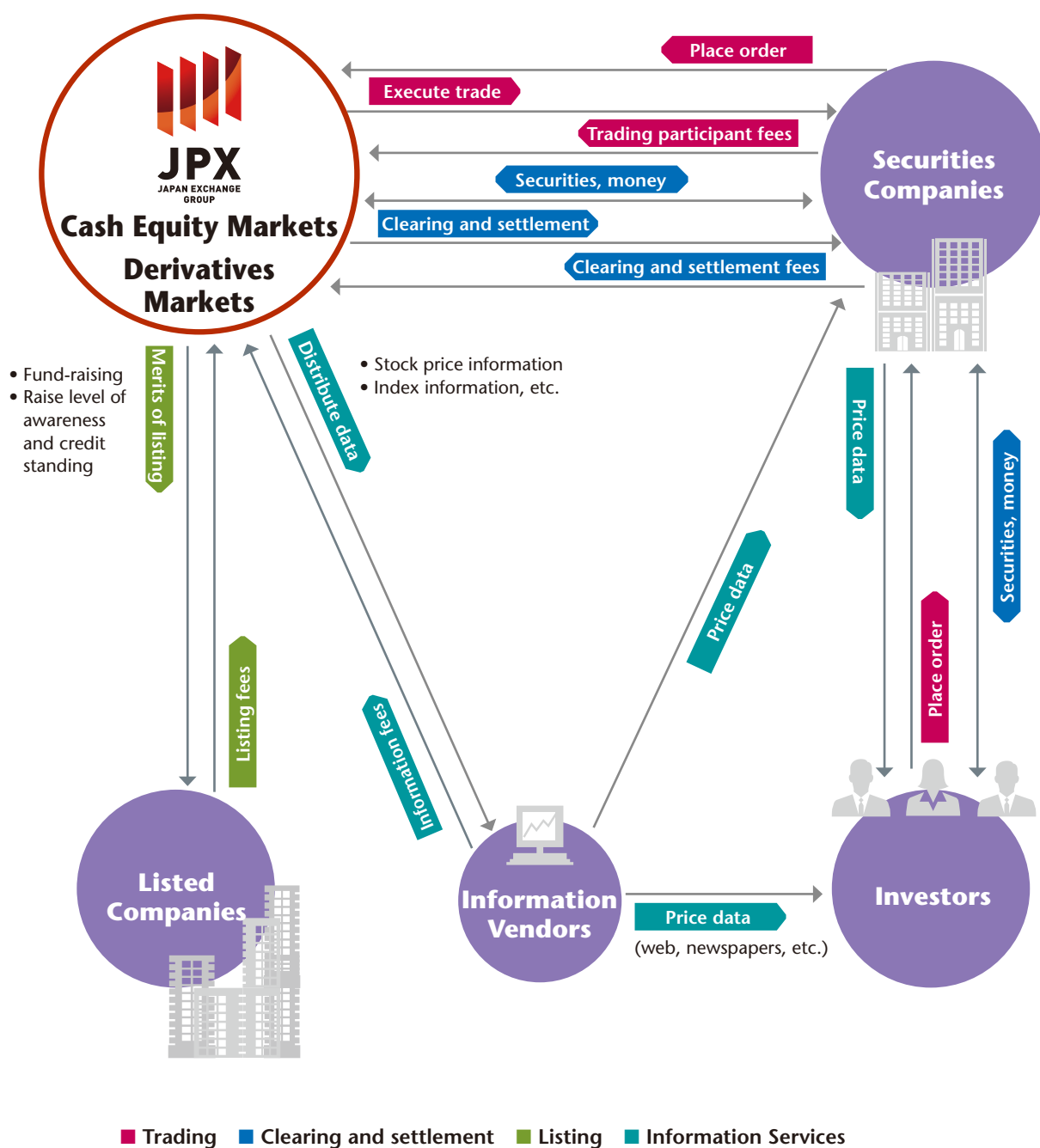
(%)



Notes: 1. Figures are for basic net income per share. Figures take account of a 5-for-1 stock split conducted with an effective date of October 1, 2013 and a 2-for-1 stock split conducted with an effective date of October 1, 2015. Per share calculations here are based on figures for the number of shares that have been retroactively adjusted.
2. Amounts take account of a 2-for-1 stock split conducted with an effective date of October 1, 2015.
3. Net income attributable to owners of the parent company

Business Model

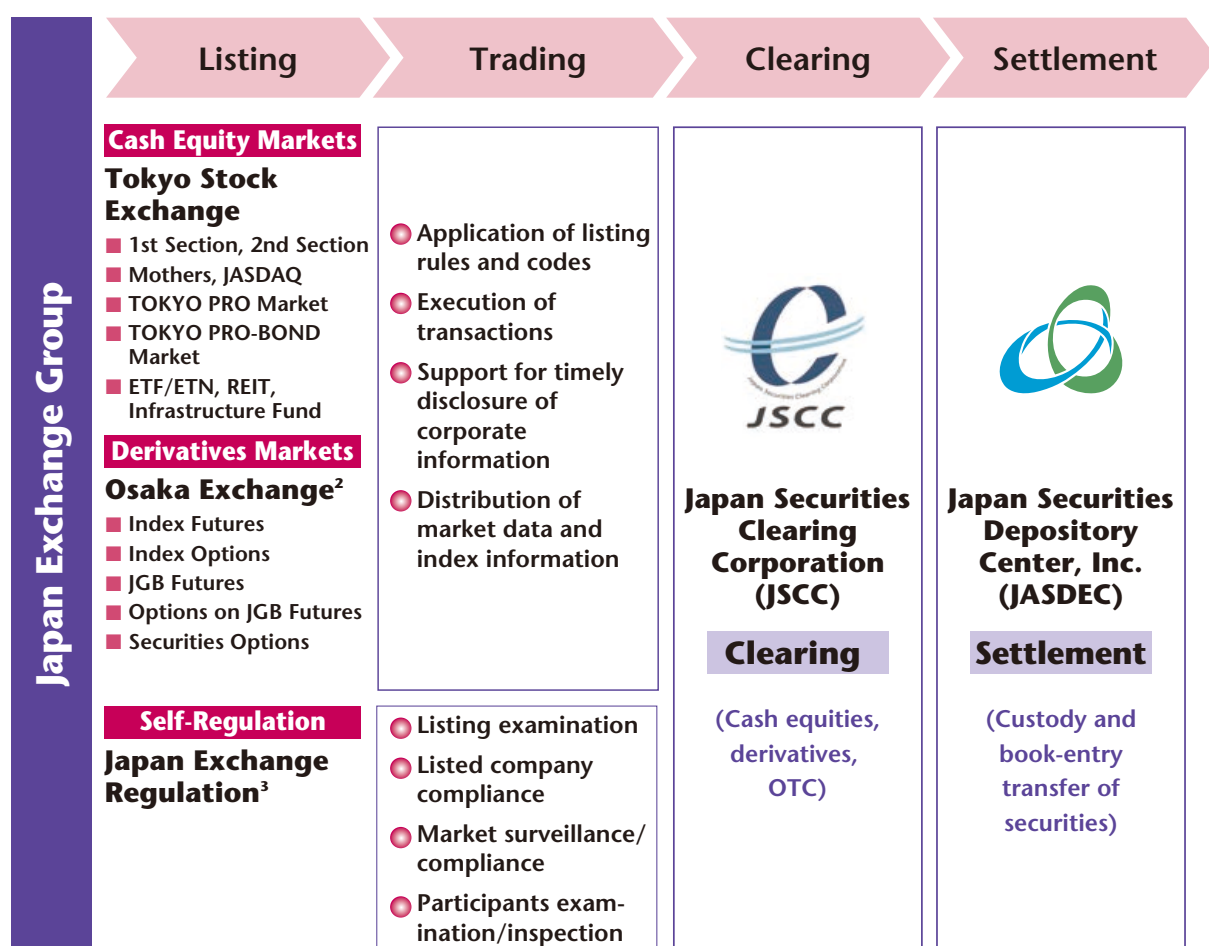
JPX's revenues consist of fees from securities companies and other trading participants, listed companies, information vendors, and other market users. We strive to serve these market users by providing high-value-added services that meet their needs.



Business and Listed Products

JPX operates markets to provide market users with reliable venues for trading listed securities and derivatives.

In addition to providing market infrastructure and market data, JPX also provides clearing and settlement services and conducts trading oversight to ensure the fairness and integrity of the markets. In the course of working together as an exchange group to offer a comprehensive range of services, we continue to make every effort to ensure reliable markets and create greater convenience for all market users.



Notes: 1. Tokyo Stock Exchange, Osaka Exchange, Japan Exchange Regulation, and Japan Securities Clearing Corporation are JPX subsidiaries. Japan Securities Depository Center is a JPX affiliate.

2. Osaka Securities Exchange was renamed Osaka Exchange on Mar. 24, 2014.

3. Tokyo Stock Exchange Regulation was renamed Japan Exchange Regulation on Apr. 1, 2014.

To quickly generate synergies from the business combination and create a more convenient market, JPX first integrated the cash equity markets under Tokyo Stock Exchange (TSE) in July 2013 and later the derivatives markets under Osaka Exchange (OSE) in March 2014. Today, TSE is home to over 3,500 listed companies and OSE offers a wide range of derivatives, including futures and options on Nikkei 225, TOPIX, and JGBs, on a single platform.

Cash Equity Lineup

Tokyo Stock Exchange			
<div>1st Section</div> <div>For large enterprises</div> <div>1,951 companies</div>		<div>JASDAQ</div> <div>For a wide range of companies</div> <div>786 companies</div>	
<div>2nd Section</div> <div>For established mid-sized companies</div> <div>541 companies</div>	<div>Mothers</div> <div>For growth companies</div> <div>225 companies</div>		
<div>For a wide range of issuers suitable for investment by “professional investors”</div> <div>TOKYO PRO Market</div> <div>14 companies</div>			
Other Products			
<div>ETFs/ETNs</div> <div>225 issues</div>		<div>REITs and other</div> <div>56 issues</div>	

Note: The number of companies and issues is as of Mar. 31, 2016.

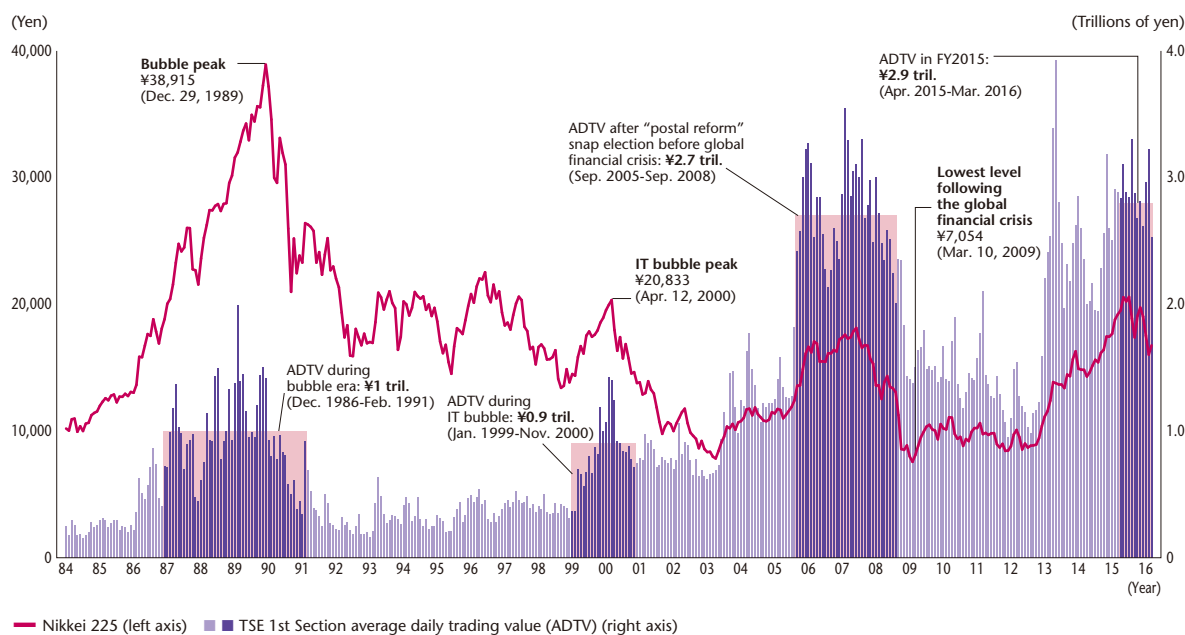
Derivatives Product Lineup

Osaka Exchange				
Nikkei 225 Futures Nikkei 225 mini		TOPIX Futures mini-TOPIX Futures		JGB Futures
				JPX-Nikkei 400 Futures
Nikkei 225 VI Futures	DJIA Futures	India Nifty50 Futures	Nikkei 225 Options	Securities Options
New Products				
TSE Mothers Index Futures		TAIEX Futures		
JPX-Nikkei 400 Options		FTSE China 50 Index Futures		

Note: Trading of new products began on Jul. 19, 2016.

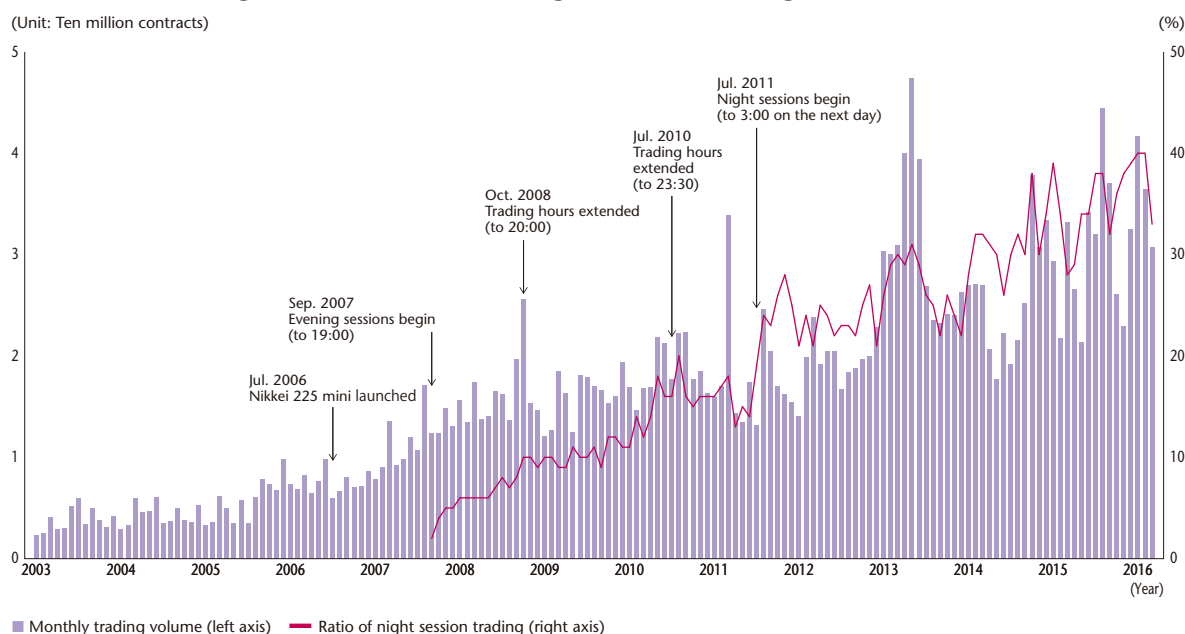
Economic Data/Market Data

Stock Market Trend



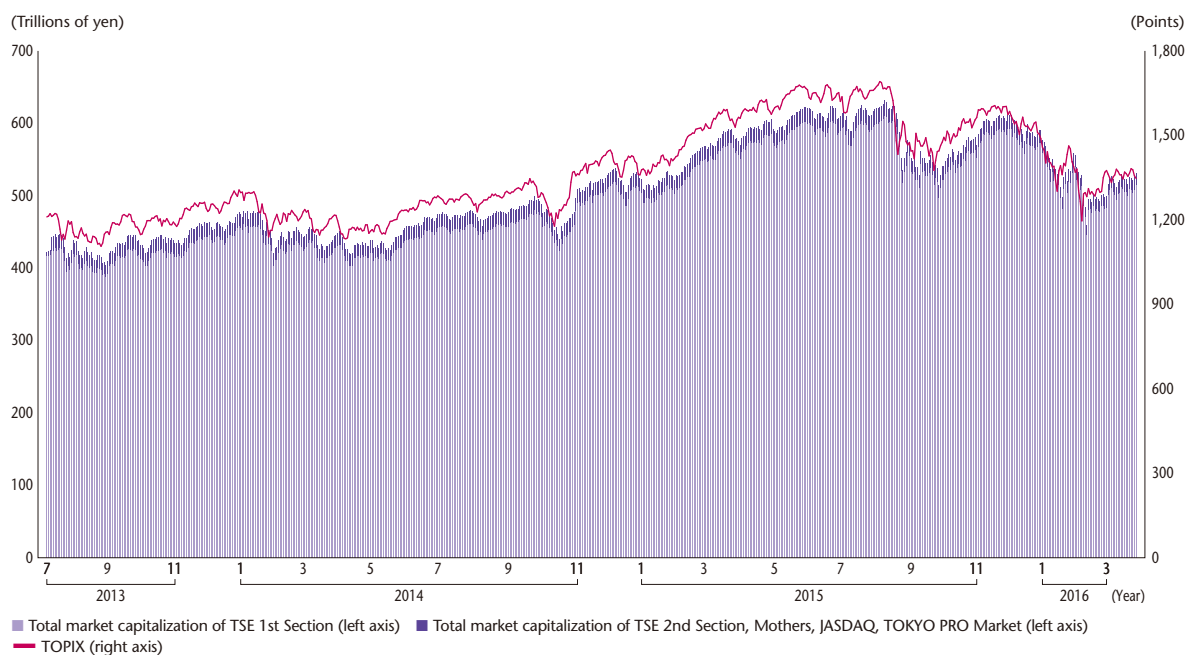
Note: The highest and lowest prices of the Nikkei 225 are based on closing prices.

Derivatives Trading Volume and Ratio of Night Session Trading

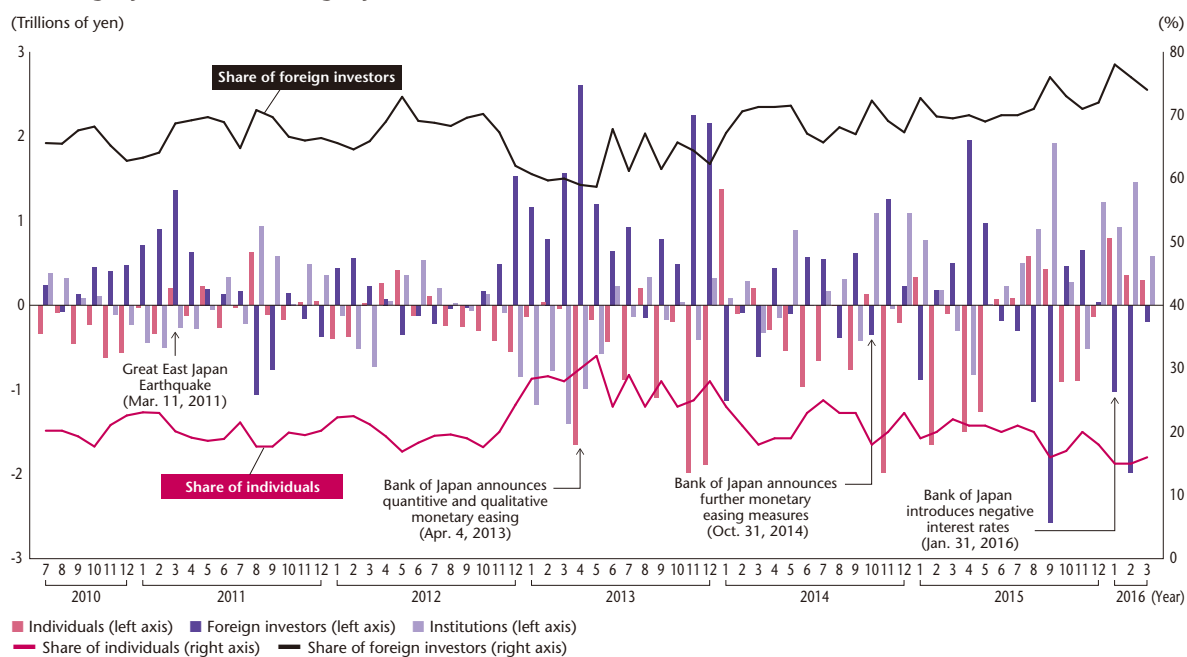


Note: Total trading volume for all derivatives

Total Market Capitalization of TSE and TOPIX



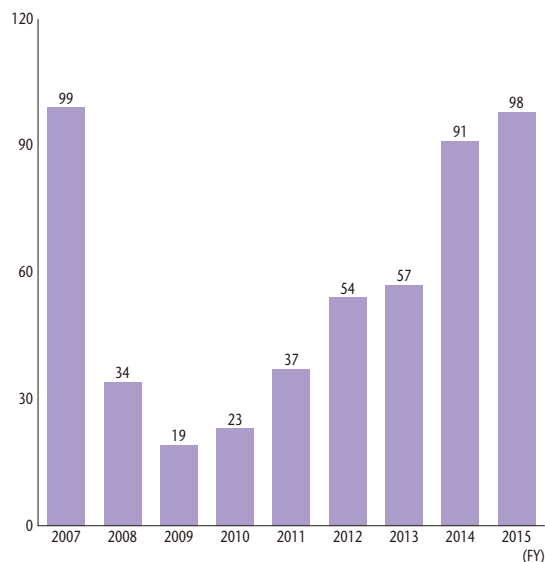
Trading by Investor Category



Note: Excluding proprietary trading

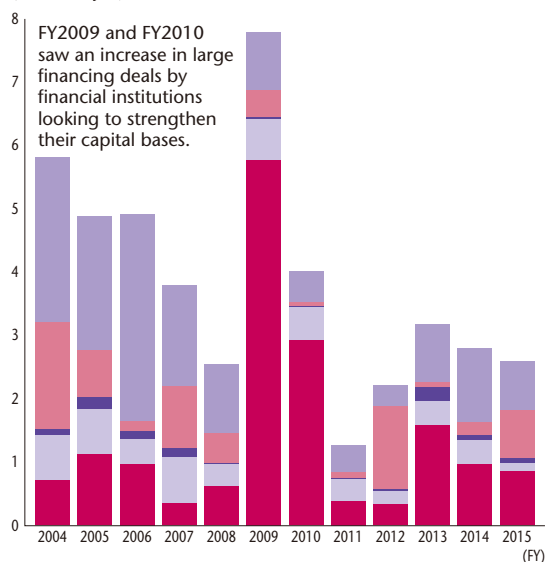
IPOs in Japan

(Companies)



Financing by Listed Companies

(Trillions of yen)



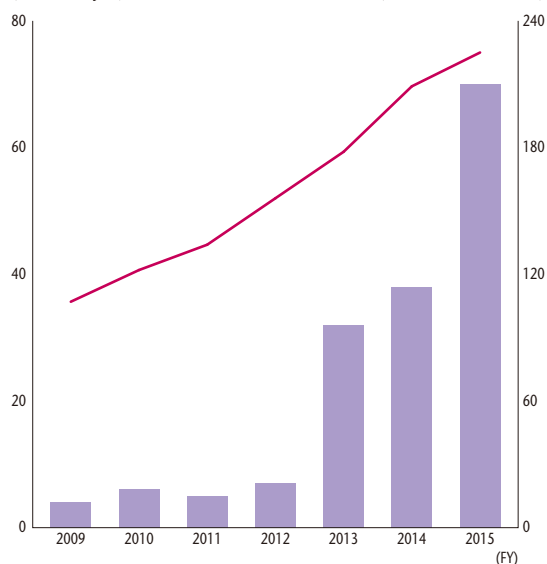
Offering to shareholders Public offerings (including IPOs)
Private placements Warrants and stock options exercised
Preferred stocks, etc. Convertible bonds

Note: Excluding straight bonds (Domestic and foreign)

ETF/ETN Trading Value

(Trillions of yen)

(Number of ETFs/ETNs)

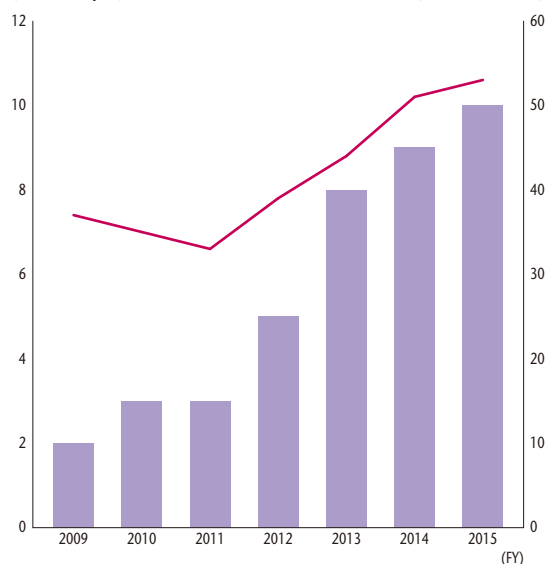


Trading value (left axis) Number of ETFs/ETNs (right axis)

REIT Trading Value

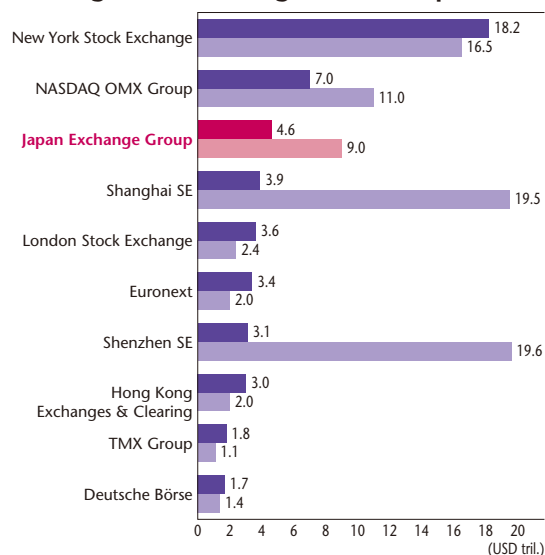
(Trillions of yen)

(Number of REITs)



Trading value (left axis) Number of REITs (right axis)

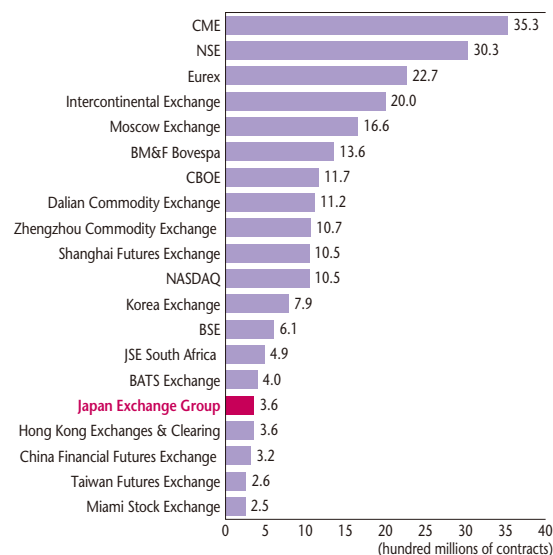
Domestic Market Capitalization, Trading Value Rankings of Cash Equities



■ Domestic market capitalization ■ Trading value of cash equities

Note: Market capitalization of domestic stocks as of Mar. 31, 2016.
Trading value of stocks includes only auction and electronic trades.
Source: WFE statistics

Derivatives Volume Rankings



Source: FIA (Futures Industry Association), Trading Volume in 2015

Competitive Landscape of Main Products

Other stock exchanges

0.0%

OTC
5.2%

PTS²
4.2%

Cash equity trading value in FY2015

Tokyo Stock Exchange¹
90.6%

Chicago Mercantile Exchange (CME)

12.2%

Singapore Exchange (SGX)
16.9%

Nikkei 225 futures trading volume in FY2015

Osaka Exchange (OSE)
70.9%

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

2. The figure for PTS is the total of figures for SBI Japannext and Chi-X Japan.

Sources: TSE, SBI Japannext, Chi-X, and JSDA statistics

Note: Conversion factors of 1/10 for OSE mini; 1/2 for SGX large (incl. USD-denominated); 1/10 for SGX mini; and 1/2 for CME USD- and JPY-denominated contracts have been used in calculations.

Sources: Statistics from each exchange

TOPIX OHLC Prices (Apr. 1, 2015-Mar. 31, 2016)

				(Points)
Open	High	Low	Close	
1,528.99 (Apr. 1)	1,691.29 (Aug. 10)	1,196.28 (Feb. 12)	1,347.2 (Mar. 31)	

Note: Based on closing price of each trading day

Trading Value/Volume

	FY2014 Full Year (Apr. 1, 2014– Mar. 31, 2015)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	FY2015 Full Year (Apr. 1, 2015– Mar. 31, 2016)
Cash Equities Trading Value (Millions of yen)						
TSE 1st/2nd Sections ¹	600,430,531	180,820,436	189,247,280	166,310,629	177,748,541	714,126,887
Mothers ¹	32,681,486	5,894,082	5,487,907	5,757,308	6,849,645	23,988,944
JASDAQ ¹	22,263,088	5,409,453	4,458,234	3,432,110	3,933,113	17,232,911
ETFs/ETNs, REITs, etc. ²	47,302,010	16,299,502	22,455,832	16,903,303	25,087,403	80,746,042
Derivatives Trading Volume (Contracts) (Nikkei 225 Options on a value basis)						
TOPIX Futures	20,857,097	5,152,726	6,284,469	5,302,308	6,247,344	22,986,847
Total Nikkei 225 Futures ³	45,895,007	11,551,509	16,714,992	11,868,112	16,322,078	56,456,691
Nikkei 225 Futures	25,593,103	6,041,354	8,736,954	6,243,886	8,465,489	29,487,683
Nikkei 225 mini	203,019,042	55,101,557	79,780,382	56,242,263	78,565,899	269,690,101
Nikkei 225 Options ⁴ (Millions of yen)	6,850,730	1,471,850	2,137,320	1,404,173	2,505,727	7,519,072
10-year JGB Futures	9,039,247	2,323,310	2,070,202	1,920,076	2,177,737	8,491,325

Average Daily Trading Value/Volume

	FY2014 Full Year (Apr. 1, 2014– Mar. 31, 2015)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)	FY2015 Full Year (Apr. 1, 2015– Mar. 31, 2016)
Cash Equities Trading Value⁵ (Millions of yen)						
	2,856,411	3,416,778	3,575,030	3,154,153	3,501,946	3,412,642
Derivatives Trading Volume (Contracts) (Nikkei 225 Options on a value basis)						
TOPIX Futures	84,785	84,471	101,362	86,923	102,415	93,824
Total Nikkei 225 Futures ³	186,565	189,369	269,597	194,559	267,575	230,435
Nikkei 225 Futures	104,037	99,039	140,919	102,359	138,779	120,358
Nikkei 225 mini	825,281	903,304	1,286,780	922,004	1,287,966	1,100,776
Nikkei 225 Options ⁴ (Millions of yen)	27,848	24,129	34,473	23,019	41,078	30,690
10-year JGB Futures	36,745	38,087	33,390	31,477	35,701	34,658

Notes: 1. Trading value of common stocks in the auction and off-auction trading

2. Trading value in the auction and off-auction trading

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

4. Excluding weekly options

5. Average daily trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in the auction and off-auction trading.

Highlights of FY2015

Renewal of arrowhead Cash Equity Trading System

TSE renewed its arrowhead cash equity trading system in September 2015.

The renewal of arrowhead was carried out in line with the fundamental principles of “improving reliability”, “improving convenience”, and “improving capabilities”. To improve reliability, new risk management functions were introduced to cope with the growing risk brought about by the increase in trading volume and accelerated transaction speed. To improve convenience, trading rules were revised and the range of services was expanded. In addition, the processing capabilities of the system were improved by enhancing processing speed and expanding system capacity.



The new arrowhead will play a major role in greatly enhancing the attractiveness of the cash equity market in Japan.

Formulation of Japan's Corporate Governance Code

In recent years, corporate governance in Japan has reached a major turning point. In 2014, the Financial Services Agency formulated and implemented Japan's Stewardship Code. In June 2015, TSE introduced the Corporate Governance Code.

The principles of the Code call for a) securing the rights and equal treatment of shareholders; b) appropriate cooperation with stakeholders other than shareholders; c) ensuring appropriate information disclosure and transparency; d) responsibility of the Board of Directors including setting corporate strategy, establishing an environment that supports risk-taking by the management, and carrying out effective oversight of directors and management; and e) maintaining dialog with shareholders. The Corporate Governance Code adopts the “Comply or Explain” approach. With the implementation of the Code, companies are now required, under the listing rules, either to comply with these principles or explain their non-compliance. As a result, companies are encouraged to maintain constructive dialogue with investors so as to achieve sustainable enhancement of corporate value, thereby contributing to the development and success of listed companies, investors, and, ultimately, the Japanese economy.

Cash Equity Trading Value and Derivatives Trading Volume Hit All-Time Records

FY2015 saw solid performance of market activities. The trading value for the TSE First Section rose to ¥706 trillion, the highest in its history. The average daily trading value for the same section in FY2015 rose 20% over the previous fiscal year and amounted to ¥2.9 trillion. In April 2015, the Nikkei 225 recovered the ¥20,000 level for the first time in 15 years; and in August 2015, the total market capitalization of the TSE First Section reached a record high of ¥609 trillion.

In FY2015, trading on the OSE derivatives market rose to 380 million contracts, the highest in its history. Background factors leading to the increase in derivatives transactions included the high volatility in major overseas markets due to the turmoil in Chinese stock markets and the deceleration in emerging economies in the face of declines in crude oil prices. The rise in derivatives trading volumes, in both day and night trading sessions, is also a reflection that investors have seen the OSE market as a venue for risk hedge and price discovery of Japanese stocks. Night session trading, in particular, has grown in importance, and the ratio of night session trading in FY2015 rose to a historical high of 36%.

Establishment of the Yangon Stock Exchange

JPX and Daiwa Institute of Research Ltd. of Daiwa Securities Group Inc., working together with Myanmar Economic Bank (a state-owned bank under the Ministry of Finance of the Republic of the Union of Myanmar), established the Yangon Stock Exchange, the first stock exchange in that country, in December 2015. The first stock was listed in March 2016 and the second stock in May of the same year.

JPX will continue to work to contribute to the development of Myanmar's capital market and also move forward in collaboration with public and private sectors to export the Japanese brand of market infrastructure to other countries and support economic development in Asia.





From the Group CEO

STEP UP TO THE NEXT

To become the most preferred exchange and promote the sustainable development of the market, the JPX Group is working together to reach new heights.

Three-and-a-half years have passed since Tokyo Stock Exchange Group and Osaka Securities Exchange merged to form JPX.

We launched JPX's 1st Medium-Term Management Plan with the birth of the company, and the plan covered fiscal years 2013 to 2015, which ended on March 31, 2016. During this period, JPX implemented a range of initiatives to make steady progress toward becoming Asia's most preferred exchange.

In our efforts to create a new Japanese stock market, last year, JPX introduced Japan's Corporate Governance Code to enhance corporate governance of the listed market. Listed companies are steadily embracing the principles in the Code, such as the appointment of more than one independent outside director, and there are signs of positive change in corporate governance, where these efforts are improving dialogue with shareholders and investors. The lackluster IPO market has recovered to pre-financial crisis levels, and this is helping the market to supply risk capital to the industries.

In September 2015, we launched a new cash equity trading system with enhanced risk management functions to accommodate the increasingly sophisticated and diverse needs and trading activities of market participants. This new system is helping to build greater stability and fairness in the JPX market.

For expansion of the derivatives market, JPX strengthened its product lineup to meet the needs of market participants. At the same time, we broadened our OTC derivatives clearing services with an eye on expanding exchange business fields. As for fintech related developments, we have begun collaborating with external parties on proof of concept tests as such technology could potentially revolutionize the exchange business.

At the time of its establishment, JPX set out to become the most preferred exchange in Asia. To realize this goal, as the operator of a core infrastructure for the Japanese capital market, JPX must continue to offer reliable, high-quality services while constantly adapting to satisfy the

increasingly diverse and complex needs of its market users. As such, we take a medium- to long-term view toward responding to the expectations of global investors and listed companies.

From this perspective, JPX formulated its 2nd Medium-Term Management Plan for fiscal years 2016 to 2018 in March 2016. In the plan, we clearly state that, to promote the sustained development of the market, JPX will pursue a business portfolio comprised of three main elements, namely the cash equity markets, derivatives markets, and new businesses. To this end, JPX will demonstrate and leverage the competencies across its corporate group that were strengthened through business integration, and aggressively pursue new business.

Since the latter half of 2015, a series of developments has fuelled uncertainty in the global economy and clouded the outlook for the Japanese economy. Considering the current environment, JPX cannot afford to rest on its achievements. We will be reviewing our rules, expanding and improving our products and services, and working to improve financial literacy to help individual investors build their assets. In doing so, the corporate group will pull together to rise to the next level.

Needless to say, we cannot achieve sustainable market development alone, without the understanding and cooperation of market participants, including domestic and foreign investors, listed companies, and securities companies, as well as the regulatory authorities and the entire private sector. We hope to enjoy your continued support and join us in taking the next step forward.

August 2016



Akira Kiyota
Director & Representative Executive Officer, Group CEO
Japan Exchange Group, Inc.

CEO's Message

Review of Achievements under the 1st Medium-Term Management Plan (FY2013 to FY2015)

Fiscal year 2015 was the final year of JPX's 1st Medium-Term Management Plan that was launched in 2013 immediately after commencing operations.

The objectives of the plan included lowering operating expenses by ¥8.5 billion through realizing integration synergies, which was steadily achieved over the course of the plan. Combined with the favorable conditions for the entire Japanese stock market against the background of aggressive fiscal and monetary policies under Abenomics, JPX reported operating revenue and net income that were well above the numerical goals set in the plan.

Looking back over the past three years, the impact of the financial crisis on China and other Asian countries was quickly swept away by remarkably high growth rates. In contrast, there were serious concerns that Japan's economic position had declined relative to its peers in the global economy as it struggled with a prolonged period of deflation and factors such as the Great East Japan Earthquake.

Amid this operating environment, JPX implemented a range of measures to attain the primary objectives of the plan, including "Creation of a new Japanese stock market", "Expansion of the derivatives market", "Expansion of exchange business fields", and "Early realization of integration benefits".

These initiatives received support from a broad range of parties and form the foundations for further development under our 2nd Medium-Term Management Plan.

1	Creation of a new Japanese stock market Introduced Corporate Governance Code Launched JPX-Nikkei index 400 Promoted IPOs and expanded ETF market
2	Expansion of the derivatives market Launched JPX-Nikkei 400 futures Developed Next J-Gate derivatives trading system Concluded system provision agreement with TOCOM
3	Expansion of exchange business fields Expanded OTC derivatives clearing business Merged JSCC and JGBCC
4	Early realization of integration benefits Achieved ¥8.5 bil. in cost synergies Completed integration of major organizational functions, regulations, and IT infrastructure
5	Growing our presence in Asia Provided support for establishing stock exchange in Myanmar Cross-listed ETFs and futures with exchanges in Taiwan Achieved interconnectivity with SGX co-location facility

Financial Targets

Review of 1st Medium-Term Management Plan

FY2015

Operating revenue

¥114.7 billion

FY2015/2012

+39%

Cost reductions

¥8.5
billion

Operating expenses

¥50.9 billion

FY2015/2012

-15%

Net income

¥44.8 billion

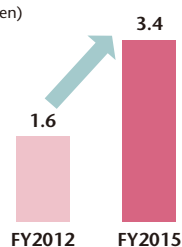
FY2015/2012

+246%

Note: Net income attributable to owners of the parent company

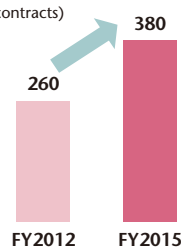
Cash equity daily trading value

(Trillions of yen)



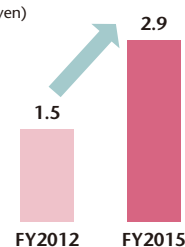
Derivatives annual trading volume

(Millions of contracts)



IRS average daily notional cleared value

(Trillions of yen)



JPX Medium- to Long-Term Vision and Initiatives under the JPX 2nd Medium-Term Management Plan

Since its 1st Medium-Term Management Plan, JPX has aspired to become the Asian exchange that is the first market of choice of global participants. To achieve this, JPX must provide reliable high-quality services as financial market infrastructure while responding to the increasingly diverse and complex needs of market participants.

For this purpose, JPX must diversify away from an excessive dependence on its cash equities business and pursue a medium- to long-term future vision in which it maintains a balanced portfolio comprising cash equities, derivatives, and new businesses.

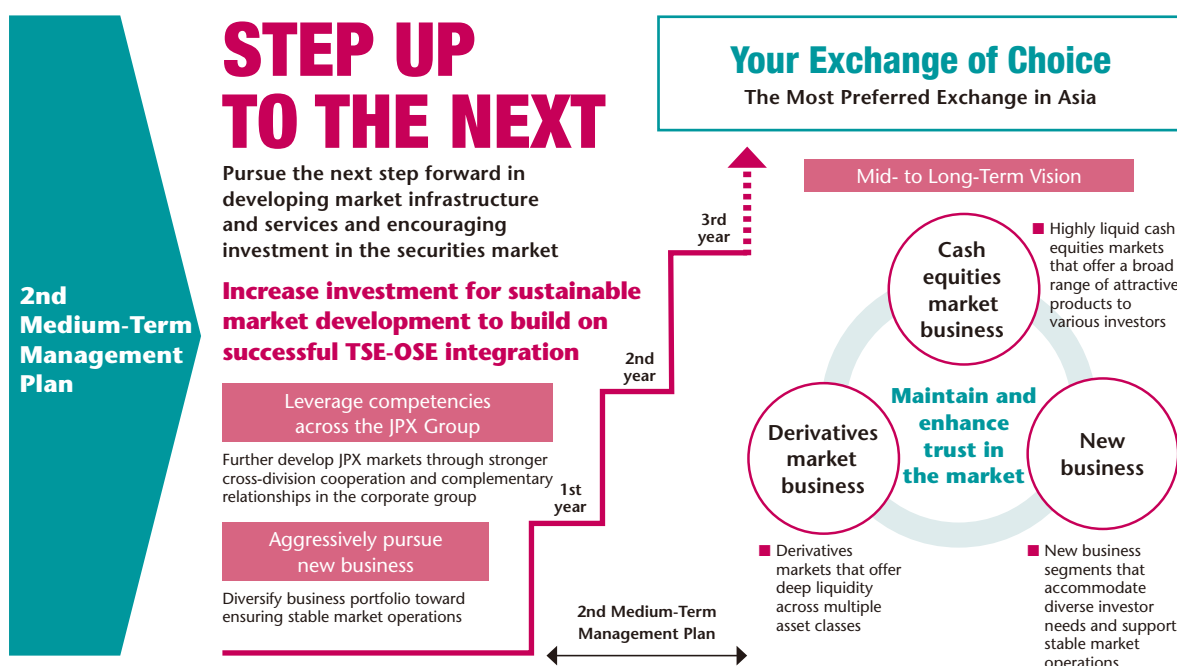
To realize this vision, in its 2nd Medium-Term Management Plan, JPX will leverage its competencies across the corporate group and invest aggressively to develop new businesses. Specifically, JPX plans to invest a total of ¥46 billion, more than the actual outlay in the previous plan, to list new derivatives products and expand its OTC derivatives clearing services over the next three years.

JPX will pull together as a corporate group to improve and expand the market, broaden its service



offerings, raise financial literacy, and explore new businesses to rise to the next level. In line with our slogan, “STEP UP TO THE NEXT”, JPX will implement its 2nd Medium-Term Management Plan and strive to enhance its corporate value.

Concept



Looking toward Future Growth

One of the issues for JPX is a revenue stream that is strongly influenced by trends in the Japanese stock market. For this reason, along with reviewing its cost structure, JPX must expand its business domains to stabilize its revenues.

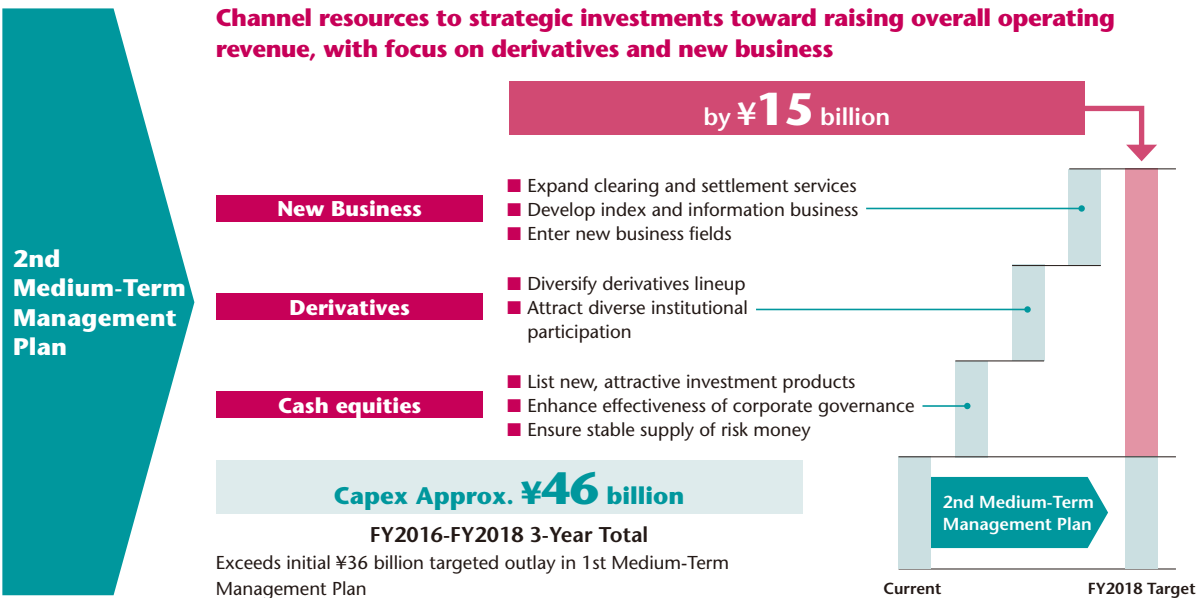
Under the new plan, JPX will work to raise its operating revenues by ¥15 billion by fiscal year 2018 through strategic investments made from a medium-to long-term perspective in the derivatives market business and new businesses such as OTC derivatives clearing and information services.

On the other hand, JPX markets play a highly important role as public infrastructure. As such, JPX must maintain stable operations and continue offering a high degree of convenience to its diverse range of market users. In addition, as trading techniques grow increasingly sophisticated over the years, JPX must accurately analyze and identify risks to strengthen its risk management and surveillance operations so as to instill confidence in investors.

JPX will continue to exchange opinions with stakeholders in a frank and candid manner as it works to offer even more attractive markets with high levels of convenience and transparency.



Pursue a multi-faceted business portfolio



Core Initiatives

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

2nd Medium-Term Management Plan

I

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

► Business Environment

Rising need for financial literacy and portfolio diversification as Japan makes the transition to a mature economy

Concerns over uncertainty and reduced liquidity from struggling emerging economies, tighter global financial regulations, and monetary policy moves

Target 1 **ETF holders**
+500,000 or more
 (+3 million or more by FY2021)

Target 2 **AUM tracking new JPX indices**
+¥1 trillion or more

Target 3 **Listed NAV**
+¥5 trillion or more (ETFs)
+¥1 trillion or more (REITs)

As Japan faces a shrinking workforce and a social security system that is in need of reform, it has become imperative to encourage medium- to long-term household asset formation through securities investment and facilitate greater diversification and sophistication in the investment techniques of institutional investors in managing the financial assets entrusted by retail investors. JPX is actively encouraging medium- to long-term asset building by investors to help resolve such issues in Japanese society.

In specific terms, with the aim of raising financial literacy among working age persons, especially the younger generation, JPX works on providing financial education, nurturing entrepreneurs, and imparting financial knowledge to persons who have no investment experience.

Moreover, JPX has positioned exchange traded funds (ETFs) as a strategic product. JPX engages in initiatives such as developing indices that highlight the appeal of equity investment, encouraging the creation of ETFs that track such indices, and expanding the lineup of ETFs on a diverse range of non-equity assets.

During the term of the Second Medium-Term Management Plan, JPX has set goals of increasing the number of investors holding ETFs by 500,000 persons and expanding the listed NAV invested in ETFs by ¥5 trillion.

Also, to attract more diverse institutional participation, JPX will increase the number of marketing staff and enhance its organizational structure, while also expanding its derivatives lineup and encouraging investors to use derivatives.

► Core Initiatives

Promote asset formation by retail investors

- Establish Financial Literacy Support departments
- Strengthen information provision and investor education to nurture next generation's new investors
- Implement measures to increase ETF market liquidity

Diversify derivatives lineup

- Expand interest rate-related and other derivatives and promote active use
- Continue pursuing comprehensive exchange initiative with entry into the commodities field

List attractive products

- Broaden ETF lineup to meet diverse investor needs
- Expand fund markets (REITs, infrastructure funds, etc.)

Attract diverse institutional participation

- Reorganize sales and marketing divisions, and strengthen functions of overseas offices
- Expand connectivity services

Develop index and information business

- Develop smart beta and other new indices and facilitate creation of ETFs and investment trusts
- Establish and promote customized index business



Supporting listed companies in enhancing corporate value

► Business Environment

Attention turns to the effectiveness of Japan's Corporate Governance Code following positive feedback since introduction.

Japan needs more risk money for sustainable economic growth even as corporate performance and employment conditions improve.

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

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

Target 2 IPO

Approx. **100** companies per year
(1st Medium-Term Management Plan: avg. 80 companies per year)



Under the framework of Japan's Corporate Governance Code, a principles-based approach is implemented with a "Comply or Explain" regime, and listed companies are asked to respond by considering their corporate governance structures and taking appropriate action in light of the Code's objectives and principles. The effectiveness of the Code is based on the premise that institutional investors, which are shareholders, engage in constructive dialogue with listed companies. JPX is working to create an environment conducive to smooth dialogue, so that listed companies can better respond with good corporate governance. At the same time, to ensure proper awareness and understanding of listed companies' responses with regard to corporate governance, JPX will find ways to disseminate information both domestically and overseas.

In addition, to achieve sustainable growth in the Japanese economy, risk money must be made readily available to growing industries. To this end, JPX will work to ensure and raise the quality of the market further through appropriate listing examinations. JPX will also endeavor to broaden its search for prospective listing candidates with the aim of steadily welcoming about 100 attractive, new companies each year.

► Core Initiatives

Enhance effectiveness of corporate governance

- Grasp a comprehensive picture of developments in Japanese corporate governance and communicate to global investors
- Drive corporate governance reform through selection criteria for JPX-Nikkei 400
- Foster an environment conducive to smooth dialogue between listed companies and institutional investors

Ensure stable supply of risk money

- Broaden IPO base and improve conditions for nurturing prospective listings
- Review TSE emerging market divisions
- Nurture primary and secondary bond markets



Fulfilling social mission by reinforcing market infrastructure

► Business Environment

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

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



Achieve advanced, world-class clearing services



Push toward shorter settlement cycle (OTC JGB trading and stocks)



JPX is working to shorten the settlement cycles for Japanese government bonds (JGBs) and stocks so as to enhance the risk controls for its clearing and settlement services and improve service usability, as well as reduce the outstanding amount of unsettled transactions, thereby lowering settlement risk.

JPX also properly addresses the threat of cyberattacks and will begin to review and revise its business continuity plan (BCP), which covers earthquakes and other wide-area disasters. In doing so, it will enhance the safety and robustness of the public infrastructure that is the market.

JPX constantly ensures the stable operations of its arrowhead cash equity trading system, which was renewed in September 2015, and its J-GATE derivatives trading system, which went into operation in July 2016. It will also consider next-generation trading systems with an eye to increasing the competitiveness of its markets.

In addition, JPX also monitors developments in trading behavior and techniques, which constantly evolve, and enhances its self-regulatory operations by accordingly adapting its market surveillance operations and appropriately managing latent risks.

► Core Initiatives

Expand clearing and settlement services and enhance system infrastructure

- Introduce more sophisticated risk controls
- Improve usability of IRS clearing services
- Prepare for shorter settlement cycle

Strengthen BCP and cybersecurity

- Fundamental review of BCP
- Strengthen cybersecurity

Design next-generation trading systems

- Start developing next-generation systems with a focus on enhancing user-friendliness and reliability

Enhance self-regulatory functions

- Adapt and enhance market surveillance to address new trading techniques
- Strengthen inspections on broker system risk
- Promote listed company compliance with a focus on preventing new incidents and recurrence

IV

Creating new horizons of exchange business

Business Environment

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

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

Target 1 Expand OTC business to new asset classes

Target 2 Stable revenue base with new business
+¥1.5 billion or more
(+¥3.5 billion or more by FY2021)



JPX continues working to expand its range of clearing services for the growing OTC derivatives segment and endeavors to create new businesses through leveraging its market infrastructure.

In the field of finance, fintech is using sophisticated IT to provide innovative financial services and fuelling the view that it will have a major impact on existing business models. To gain an accurate grasp of trends in this area, JPX is teaming up with external partners to develop base technology and conduct proof of concept tests on fintech for exchange business.

To enter new business domains, JPX recognizes the need to accurately identify business opportunities, such as changes in the domestic and overseas business landscape, and create an organizational structure for its officers and employees to boldly pursue innovation. To do this, JPX is actively reinforcing its overseas bases, strengthening its research functions, and accommodating diverse working styles to facilitate new business developments.

Core Initiatives

Enter into new business fields

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

Drive innovation

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

Strengthen foundations for global business

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

Strengthen research/analysis capabilities

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

Financial Strategy

Growing revenue and income and enhancing stability through active growth investments

Realizing Integration Synergies

The First Medium-Term Management Plan, which was formulated at the time of management integration in 2013, encompassed management and financial objectives for maximizing cost synergies through organizational and infrastructural integration and streamlining to create a stable earnings base. The major objective for these initiatives was a reduction in costs of at least ¥8.5 billion by FY2015 in comparison with FY2012.

Thereafter, JPX succeeded in achieving this objective through cost-cutting of about ¥7.0 billion via integration of overlapping systems and through another ¥1.5 billion in cost reductions from realignment and consolidation of the business network and review of operations. As a result, JPX built flexible and resilient financial foundations that allow for new investments.

Financial Objectives under the Second Medium-Term Management Plan

While the First Medium-Term Management Plan aimed to clamp down on expenses, such as by reducing operating expenses by ¥8.5 billion, the Second Medium-Term Management Plan aims for expansion.

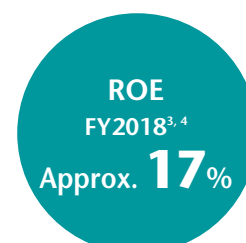
In concrete terms, the initiatives taken under the Second Medium-Term Management Plan are geared toward achieving two main targets for FY2018. The first is adding ¥15.0 billion in operating revenue, and the second is working on expanding net income by ¥8.0 billion, taking into account increases in operating expenses and other factors.

Compared with actual average results under the First Medium-Term Management Plan, operating revenue and net income are expected to increase by 13% and 20%, respectively.

Financial Targets

	Target ^{1, 4}	1st Medium-Term Management Plan (Actual) ²	FY2018 ^{3, 4}
Operating Revenue	+¥15 billion Approx. +13%	¥108 billion	¥123 billion
Net Income	+¥8 billion Approx. +20%	¥40 billion	¥48 billion

For Reference:



- Notes: 1. Targeted revenue and income increase from initiatives in the 2nd Medium-Term Management Plan.
 2. Estimates based on 3-year trading activity during the 1st Medium-Term Management Plan (cash equity average daily trading value of ¥3.1 trillion, derivatives annual trading volume of 350 million units)
 3. Revenue and income based on total of actual performance for the 1st Medium-Term Management Plan and targets for the 2nd Medium-Term Management Plan. ROE projections are based on such income.
 4. Implementation of initiatives stated in the 2nd Medium-Term Management Plan and targeted revenue and income increase may be affected by the external environment. Revenue is also linked to cash equities and derivatives trading conditions. As such, actual performance may deviate from targets due to market conditions and other factors.

Though it is difficult to forecast the market conditions three years from now, if the average actual results for the most recent three years are examined, return on equity (ROE) will reach approximately 17%, meaning that performance in FY2015 can be maintained.

Capital Policy for Sustainable Development of the Market

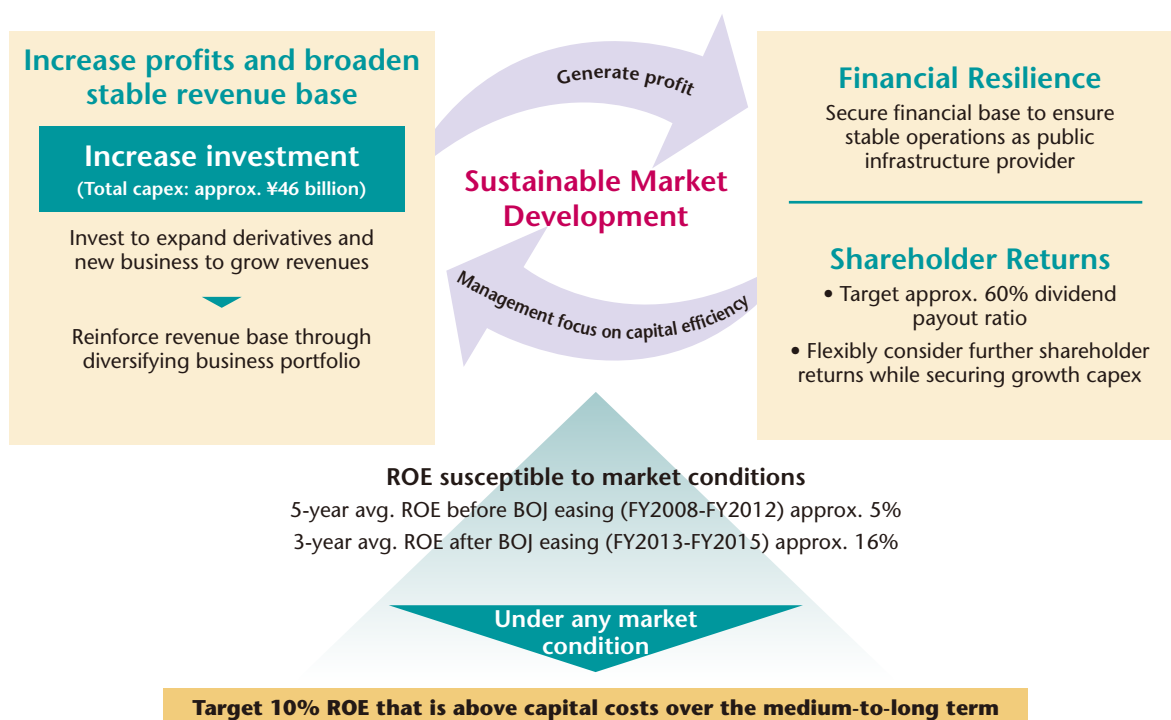
Under the Second Medium-Term Management Plan, JPX will implement a policy of increasing its investments for growth to support sustainable development of the market. In the medium-to-long term, this will contribute to the enhancement of revenue stability and expansion of revenue size of JPX through diversification of its business portfolio.

If the figures are combined for the Tokyo and Osaka exchanges during the five years before JPX came into being and before the policy of monetary easing, the average estimated ROE was approximately 5%. Going forward, we will continue our business management in consideration of capital efficiency in order to implement a business model that allows us to secure an ROE of approximately 10% in the medium-to-long term, even under unfavorable market conditions.

JPX must secure a firm financial base to stably operate the market as a public infrastructure. However, JPX will also give flexible consideration to providing further returns to shareholders as it considers the necessity of growth investment while maintaining a target dividend payout ratio of 60%.

Capital Policy

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



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

Corporate Governance

JPX seeks to fulfill its social mission by serving as vital public infrastructure in the form of Japan’s central financial instruments market, and is committed to appropriately developing its corporate governance system.

Basic Views

In order to conduct management in line with its corporate philosophy (page 3), JPX is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, JPX has established the basic views on corporate governance from four perspectives described below.

Based on the basic views, in light of the intent of the individual principles of Japan’s Corporate Governance Code, JPX is committed to properly developing its corporate governance system.

Corporate Philosophy and Social Mission
JPX operates markets that are a public asset and fulfills its social mission by pursuing the sustainable development of its markets.

Enhanced Corporate Value
In order for JPX to pursue sustainable development of its markets, it must continue to accommodate the diverse needs of shareholders and other stakeholders, thereby enhancing corporate value over the medium-to-long term.

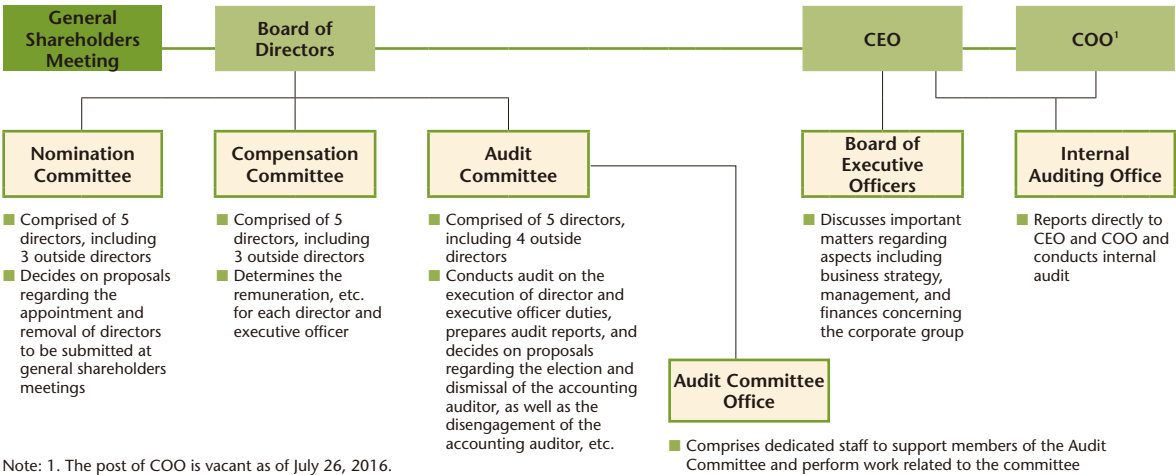
Market Operations
JPX operates the markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all investors and market users, and maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

Effective Corporate Governance
JPX strives to constantly improve its corporate governance system to further facilitate effective and proper systems, so as to support the sustainable development of its markets.

Corporate Governance System

JPX clearly segregates the management monitoring/ supervisory function and the business execution function, and adopts the company with a nomination committee and other committees structure to strengthen oversight and raise the transparency of management.

Corporate Governance System Diagram



Composition of the Board of Directors

The JPX Board of Directors is composed of 13 directors, including two female directors. The functions of the board include increasing the transparency and accountability of the management and enhancing the function of supervising the appropriateness of business execution. To accomplish this, the composition of the board includes the chairman of the board, who is set apart from business execution, and nine outside directors, which constitutes a board majority. Of these nine outside directors, eight have been filed as independent directors of the Company.

The breakdown of the eight independent directors is as follows. Three are directors or other officers of listed companies. One is a legal expert, and another is a certified public accountant. Three are researchers or had served in government agencies. Each director has considerable experience and insight in their respective field, and contributes to a structure that allows for multifaceted external perspectives to be readily incorporated into the management of JPX.

Nomination, Compensation, and Audit Committees

JPX has set up a legally stipulated Nomination Committee and Compensation Committee for the purpose of ensuring transparency and objectivity in the appointment/removal and compensation of directors and executive officers. Each committee has a majority of outside directors as members. The appointment and removal of directors and executive officers is thoroughly deliberated and determined by the Nomination Committee and put forth for approval at general shareholders meetings, and the compensation of directors and executive officers is determined by the Compensation Committee.

In addition, JPX has established a legally stipulated Audit Committee, which performs the auditing function. This committee is made up of five directors (including one full-time Audit Committee member), of which four, including a certified public accountant, are outside directors. In addition, JPX has set up an Audit Committee Office to assist the members in the performance of their duties.

Status of Directors

Name	Position at the company	Corporate Management	Area of Expertise		Researcher Government Agencies	Diversity	
			Accounting	Legal Affairs		Female	Foreigner
Hiroki Tsuda	Director (Chairperson of the Board of Directors) Outside Director	—	—	—	—	—	—
Akira Kiyota	Director & Representative Executive Officer, Group CEO	—	—	—	—	—	—
Koichiro Miyahara	Director & Executive Officer	—	—	—	—	—	—
Hiromi Yamaji	Director & Executive Officer	—	—	—	—	—	—
Christina Ahmadjian	Director Independent Director Outside Director				✿	✿	✿
Hitoshi Ogita	Director New Independent Director Outside Director	✿					
Hideaki Kubori	Director Independent Director Outside Director			✿			
Main Kohda	Director New Independent Director Outside Director				✿	✿	
Eizo Kobayashi	Director New Independent Director Outside Director	✿					
Masayuki Hirose	Director	—	—	—	—	—	—
Katsuhiko Honda	Director Independent Director Outside Director	✿					
Kimitaka Mori	Director New Independent Director Outside Director		✿				
Tsuyoshi Yoneda	Director Independent Director Outside Director				✿		

Note: For information on the activities of the outside directors in FY2015, please refer to page 38 of the Notice of the 15th Annual General Shareholders Meeting.

The 15th Annual General Shareholders Meeting **WEB**

<http://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html>

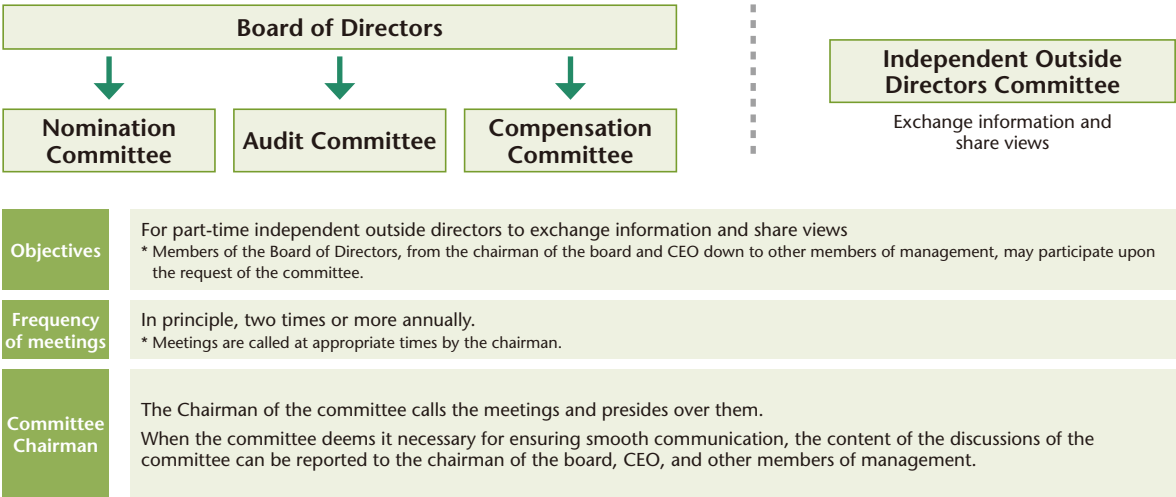
Establishing an Independent Outside Directors Committee

JPX established an Independent Outside Directors Committee as a corporate organ composed exclusively of part-time independent outside directors in order for the Company’s part-time independent outside directors to better perform management oversight and also to exchange information and build a common understanding among themselves to facilitate active discussion at Board of Directors meetings.

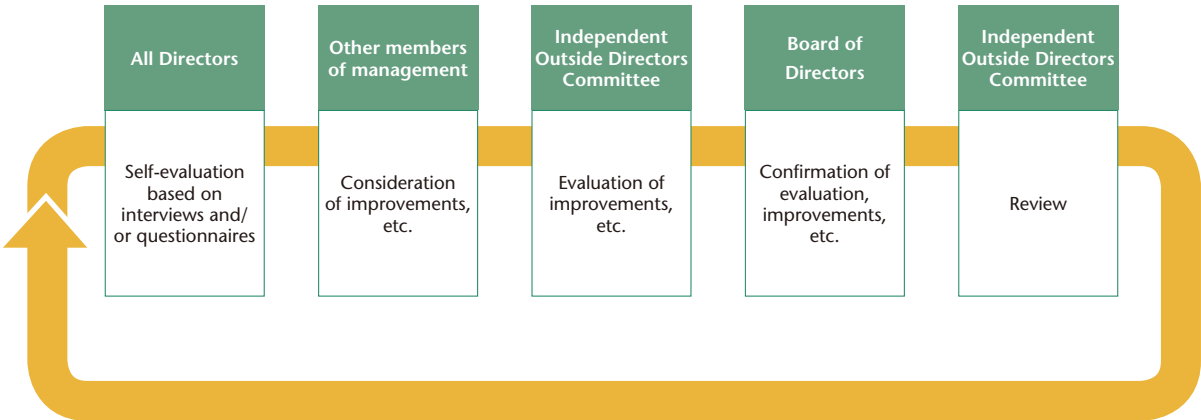
Evaluating the Effectiveness of the Board of Directors

At JPX, the Board of Directors analyzes and evaluates its own effectiveness based on a questionnaire survey and interviews with all board members. When this evaluation takes place, the Independent Outside Directors Committee, which is composed of part-time independent outside directors, takes part in the evaluation process with the aim of increasing its objectivity and transparency.

Independent Outside Directors Committee



Board Effectiveness Evaluation Cycle



Summary of Results of Evaluation of the Effectiveness of the Board of Directors in FY2015

Board of Directors

• Steering of the Board of Directors

- (1) There were comments about appropriately securing time for preparations and deliberations to further invigorate discussions.
- (2) There were comments that JPX should ensure that the Board of Directors properly ascertains the opinions of stakeholders.

• Director Training/Communication with Executive Officers

There were comments that there is a need to further improve training of the board members and communication with executive officers.

• Management Strategy, Risk Management, Reviews, and Other Matters

There were comments that risk management should be strengthened and that reviews and reports should be more in-depth.

In view of these comments, members of the management will consider improvement measures, and the Board of Directors will implement appropriate improvement measures.

Nomination Committee

There were comments that the Nomination Committee should continually examine corporate manager succession plans and related matters, as well as further improve reporting by the committee to the Board of Directors. In light of the above, the committee will properly examine improvement measures.

Audit Committee

There were comments that the Audit Committee should enrich lectures, etc. on practices that lead to more precise audit perspectives. In view of these comments, the committee will properly examine improvement measures.

Compensation Committee

There were comments that the Compensation Committee should further improve reporting by the committee to the Board of Directors. In view of these comments, the committee confirmed that they will properly examine improvement measures. The committee will continually verify the remuneration structure and evaluation methods.

Directors and Executive Officers Remuneration and Factors for Determining Remuneration

The remuneration for directors, executive officers, and statutory auditors is determined by the Compensation Committee, which is composed of a majority of independent outside directors.

The components of the remuneration are: (1) basic remuneration, (2) bonus, and (3) JPX stock.

For executive officers,

- (1) Basic remuneration is consideration for daily business execution and participation in management commensurate with each position and its duties.
- (2) The bonus is paid as incentives for improving corporate performance in the short-to-medium term. It is decided based on corporate performance and the results of the business activities of each executive director.
- (3) Remuneration in the form of JPX stock is incentive for improving corporate value in the medium-to-long term. Amounts are set aside for the purchase of JPX stock, and are allocated by position and job duty.

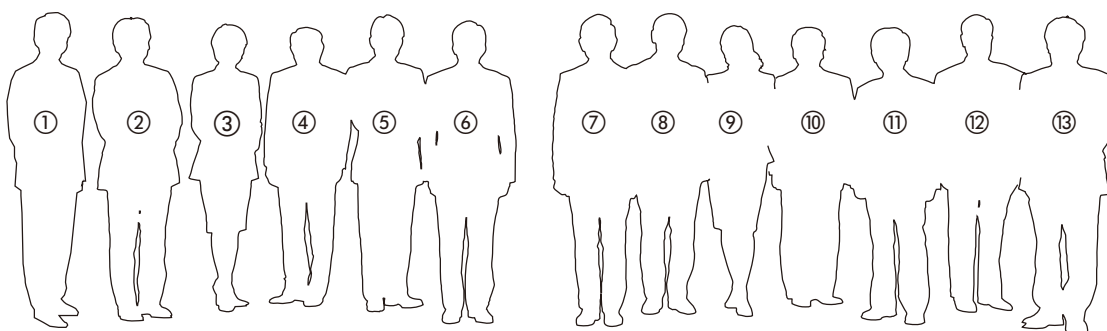
Directors (excluding directors who also serve as executive officers), in view of the roles they perform and their independence, receive only basic remuneration. They do not receive a bonus or remuneration in the form of JPX stock.

Compensation Paid to Directors and Executive Officers

Directors	No. of Recipients	Amount Paid (Millions of yen)
Directors (of which outside directors)	12 (10)	110 (75)
Executive officers	12	396

Corporate Governance Report: **WEB**
<http://www.jpx.co.jp/english/corporate/about-jpx/co-governance/tvdivq0000006qbo-att/tvdivq000000tmu1.pdf>

Board of Directors





From the left

① Kimitaka Mori

Director
Independent Director
Outside Director

② Masayuki Hirose

Director

③ Main Kohda

Director
Independent Director
Outside Director

④ Hitoshi Ogita

Director
Independent Director
Outside Director

⑤ Hiromi Yamaji

Director and Executive
Officer

⑥ Hiroki Tsuda

Director (Chairperson
of the Board of
Directors)
Outside Director

⑦ Akira Kiyota

Director &
Representative
Executive Officer
Group CEO

⑧ Koichiro Miyahara

Director and Executive
Officer

⑨ Christina Ahmadian

Director
Independent Director
Outside Director

⑩ Hideaki Kubori

Director
Independent Director
Outside Director

⑪ Eizo Kobayashi

Director
Independent Director
Outside Director

⑫ Katsuhiko Honda

Director
Independent Director
Outside Director

⑬ Tsuyoshi Yoneda

Director
Independent Director
Outside Director



Hiroki Tsuda

Director (Chairperson of the Board of Directors),
Outside Director

Apr. 1972 Joined Ministry of Finance
Aug. 2002 Director-General, Tokyo Customs
Jan. 2003 Deputy Vice Minister for Policy Planning
and Co-ordination
Jul. 2004 Deputy Vice Minister
Jul. 2006 Director-General of the Budget Bureau
Jul. 2007 Administrative Vice Minister of Finance
Sep. 2008 Professor, Graduate School of Public
Management, Waseda University

Jun. 2015 Outside Director of the Company (current
position), Chairperson of the Board of
Directors of the Company (current position)

Area of Responsibility: Chairperson of the Board of
Directors

No. of Company shares held: 0 shares



Akira Kiyota

Director & Representative Executive Officer, Group CEO

Chairman of the Nomination Committee

Member of the Compensation Committee

Apr. 1969 Joined Daiwa Securities Co. Ltd. (currently
Daiwa Securities Group Inc.)
Oct. 1997 Deputy President
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.
Apr. 2011 Director and Honorary Chairman
Jun. 2011 Honorary Chairman

Jun. 2013 Director of the Company (current position)
President & CEO, Tokyo Stock Exchange,
Inc.
Jun. 2015 Representative Executive Officer, Group
CEO of the Company (current position)
Director, Tokyo Stock Exchange, Inc.
(current position)

Area of Responsibility: Group CEO
Significant Concurrent Position: Director, Tokyo Stock
Exchange, Inc.

No. of Company shares held: 9,600 shares



Koichiro Miyahara

Director and Executive Officer

Member of the Nomination Committee

Member of the Compensation Committee

Apr. 1979 Joined Electric Power Development Co.,
Ltd.
Apr. 1988 Joined Tokyo Stock Exchange
Jun. 2002 Director, General Administration
Department, Tokyo Stock Exchange, Inc.
Jun. 2004 Director, Information Services Department
Jun. 2005 President, Representative Director, ICJ, Inc.
Dec. 2005 Executive Officer, Tokyo Stock Exchange,
Inc.
Oct. 2007 Standing Governor, Tokyo Stock Exchange
Regulation (currently Japan Exchange
Regulation)

Jun. 2009 Senior Executive Officer, Tokyo Stock
Exchange Group, Inc.

Jan. 2013 Senior Executive Officer of the Company
Senior Executive Officer, Tokyo Stock
Exchange, Inc.

Jun. 2014 Executive Vice President of the Company
Jun. 2015 Director of the Company (current position)

President & CEO, Tokyo Stock Exchange,
Inc. (current position)

Nov. 2015 Executive Officer of the Company (current
position)

Significant Concurrent Position: President & CEO,
Tokyo Stock Exchange, Inc.

No. of Company shares held: 13,800 shares



Hiromi Yamaji

Director and Executive Officer

Apr. 1977 Joined The Nomura Securities Co., Ltd.
(currently Nomura Holdings, Inc.)
Jun. 1998 Member of the Board in charge of
Investment Banking Products Division
Jun. 2000 Managing Director, Head of Global
Investment Banking Division
Apr. 2002 President & CEO, Nomura Europe Holdings
plc (London) and Chairman, Nomura
Holding America Inc. (New York)
Apr. 2007 Executive Vice President, Global Investment
Banking, in charge of Corporate Finance
Division, Nomura Securities Co., Ltd.

Jun. 2013 Director of the Company (current position)
President & CEO, Osaka Securities
Exchange Co., Ltd. (currently Osaka
Exchange, Inc.) (current position)

Nov. 2015 Executive Officer of the Company (current
position)

Significant Concurrent Position: President & CEO,
Osaka Exchange, Inc.

No. of Company shares held: 7,000 shares



Christina Ahmadian

Director, Independent Director, Outside Director

Member of the Compensation Committee

Member of the Audit Committee

Jan. 1995 Assistant Professor, Columbia Business
School (Graduate School of Business,
Columbia University)
Oct. 2001 Associate Professor, Graduate School of
International Corporate Strategy,
Hitotsubashi University
Jan. 2004 Professor, Graduate School of International
Corporate Strategy
Apr. 2010 Dean, Graduate School of International
Corporate Strategy

Apr. 2012 Professor, Graduate School of Commerce
and Management (current position)

Jun. 2014 Outside Director of the Company (current
position)

Significant Concurrent Positions: Professor, Graduate
School of Commerce and Management, Hitotsubashi
University

Outside Director, Mitsubishi Heavy Industries, Ltd.

No. of Company shares held: 0 shares



Hitoshi Ogita

Director, Independent Director, Outside Director

Member of the Nomination Committee

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| <p>Apr. 1965 Joined Asahi Breweries, Ltd. (currently Asahi Group Holdings, Ltd.)</p> <p>Mar. 1997 Director, General Manager of Fukuoka Branch, Asahi Breweries, Ltd. (currently Asahi Group Holdings, Ltd.)</p> <p>Mar. 2000 Managing Corporate Officer, Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Mar. 2002 Senior Managing Corporate Officer, Senior General Manager of Kanshin-etsu Regional Headquarters, Asahi Breweries, Ltd.</p> <p>Sep. 2002 Corporate Officer, Vice President, Asahi Soft Drinks Co., Ltd.</p> <p>Mar. 2003 President and Representative Director, Asahi Soft Drinks Co., Ltd.</p> | <p>Mar. 2006 President and Representative Director, Asahi Breweries, Ltd.</p> <p>Mar. 2010 Chairman of the Board and Representative Director, Asahi Breweries, Ltd.</p> <p>Jun. 2010 Outside Director, Imperial Hotel, Ltd. (current position)</p> <p>Jun. 2012 Outside Director, NEC Corporation (current position)</p> <p>Mar. 2014 Senior Adviser, Asahi Group Holdings, Ltd. (current position)</p> <p>Jun. 2016 Outside Director of the Company (current position)</p> <p>Significant Concurrent Positions: Senior Adviser, Asahi Group Holdings, Ltd., Outside Director, Imperial Hotel, Ltd., Outside Director, NEC Corporation</p> <p>No. of Company shares held: 3,000 shares</p> |
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Hideaki Kubori

Director, Independent Director, Outside Director

Member of the Nomination Committee

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| <p>Apr. 1971 Registration as attorney-at-law (current position), Joined Mori Sogo (currently Mori Hamada & Matsumoto)</p> <p>Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)</p> <p>Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, Japan Federation of Bar Associations</p> <p>Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc., Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) (current position)</p> | <p>Jan. 2013 Outside Director of the Company (current position)</p> <p>Apr. 2015 Professor, Toin Law School (current position)</p> <p>Significant Concurrent Positions: Outside Governor, Japan Exchange Regulation, Attorney-at-law Representative, HIBIYA PARK LAW OFFICES</p> <p>Outside Director, SOURCENEXT CORPORATION</p> <p>Professor, Toin Law School</p> <p>Member of the Supervisory Committee, The Norinchukin Bank</p> <p>No. of Company shares held: 0 shares</p> |
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Main Kohda

Director, Independent Director, Outside Director

Member of the Audit Committee

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| <p>Sep. 1995 Started independently as Novelist, to the present</p> <p>Jan. 2003 Member of Financial System Council, Ministry of Finance Japan</p> <p>Apr. 2004 Visiting professor, Faculty of Economics, Shiga University</p> <p>Mar. 2005 Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism</p> <p>Nov. 2006 Member of the Tax Commission, Cabinet Office, Government of Japan</p> <p>Jun. 2010 Member of the Board of Governors, Japan Broadcasting Corporation</p> | <p>Jun. 2012 Outside Director, Japan Tobacco Inc. (current position)</p> <p>Jun. 2013 Outside Director, LIXIL Group Corporation (current position)</p> <p>Jun. 2016 Outside Director of the Company (current position)</p> <p>Significant Concurrent Positions: Novelist</p> <p>Outside Director, Japan Tobacco Inc.</p> <p>Outside Director, LIXIL Group Corporation</p> <p>No. of Company shares held: 0 shares</p> |
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Eizo Kobayashi

Director, Independent Director, Outside Director

Member of the Compensation Committee

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| <p>Apr. 1972 Joined C. Itoh & Co. Ltd. (Former name of ITOCHU Corporation)</p> <p>Jun. 2000 Executive Officer, ITOCHU Corporation</p> <p>Apr. 2002 Managing Executive Officer, ITOCHU Corporation</p> <p>Jun. 2003 Representative Director, Managing Director, ITOCHU Corporation</p> <p>Apr. 2004 Representative Director, Senior Managing Director, ITOCHU Corporation</p> <p>Jun. 2004 President & Chief Executive Officer, ITOCHU Corporation</p> <p>Apr. 2010 Representative Director, Chairman, ITOCHU Corporation</p> <p>Jul. 2010 Outside Corporate Auditor, ASAHI MUTUAL LIFE INSURANCE CO. (current position)</p> <p>Jun. 2011 Director, Chairman, ITOCHU Corporation</p> <p>Jun. 2013 Outside Director, OMRON Corporation (current position)</p> | <p>Jun. 2015 Counsellor, Bank of Japan (current position) External Director, Japan Airlines Co., Ltd. (current position)</p> <p>Jun. 2016 Outside Director of the Company (current position) Chairman, ITOCHU Corporation (current position)</p> <p>Significant Concurrent Positions: Chairman, ITOCHU Corporation</p> <p>Chairman, ITOCHU Foundation</p> <p>Chairman, Japan Foreign Trade Council, Inc.</p> <p>Outside Corporate Auditor, ASAHI MUTUAL LIFE INSURANCE CO.</p> <p>Outside Director, OMRON Corporation</p> <p>Counsellor, Bank of Japan</p> <p>External Director, Japan Airlines Co., Ltd.</p> <p>Outside Director of Nippon Venture Capital Co., Ltd.</p> <p>No. of Company shares held: 0 shares</p> |
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Masayuki Hirose

Director

Member of the Audit Committee

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| <p>Apr. 1979 Joined Tokyo Stock Exchange</p> <p>Jun. 2003 Director, Examination Department, Tokyo Stock Exchange, Inc.</p> <p>Jun. 2004 Director, Information System Department</p> <p>Apr. 2006 Director, IT Planning Department</p> <p>Jun. 2006 Director, IT Planning Department and Director, Trading Systems, Development Operations Department</p> <p>Aug. 2007 Director, IT Planning Department, Tokyo Stock Exchange Group, Inc. Director, Trading Systems, IT Development Department, Tokyo Stock Exchange, Inc.</p> | <p>Jan. 2009 Director, Tdex+ System, IT Development Department and Director, IT Management Office, Tokyo Stock Exchange, Inc.</p> <p>Jun. 2009 Director, Tokyo Stock Exchange Group, Inc. Statutory Corporate Auditor, Tokyo Stock Exchange, Inc. (current position)</p> <p>Jan. 2013 Director of the Company (current position)</p> <p>Significant Concurrent Positions: Statutory Corporate Auditor, Tokyo Stock Exchange, Inc.</p> <p>Chairperson, Public Interest Incorporated Association, Japan Audit & Supervisory Board Members Association</p> <p>No. of Company shares held: 0 shares</p> |
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Katsuhiko Honda

Director, Independent Director, Outside Director

Member of the Nomination Committee

Chairman of the Compensation Committee

Apr. 1965 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)
 Jun. 1992 Director, General Manager, Human Resources
 Jun. 1994 Managing Director and Leader, Personnel and Labor Group
 Jun. 1995 Managing Director, Tobacco Business Headquarters
 Jun. 1996 Senior Managing Director, Tobacco Business Headquarters
 Jun. 1998 Executive Deputy President and Representative Director
 Jun. 2000 President and Representative Director
 Jun. 2006 Member of the Board, Corporate Counselor

Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc., Outside Director, Tokyo Stock Exchange, Inc., Corporate Counselor, Japan Tobacco Inc.
 Jun. 2012 Corporate Advisor (current position)
 Jan. 2013 Outside Director of the Company (current position)

Significant Concurrent Positions:

Corporate Advisor, Japan Tobacco Inc.
 Member of the Board of Governors, Japan Broadcasting Corporation

No. of Company shares held: 0 shares



Kimitaka Mori

Director, Independent Director, Outside Director

Member of the Audit Committee

Apr. 1980 Joined Shinwa Accountants (currently KPMG AZSA LLC)
 Jun. 2000 Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)
 Jun. 2004 Director of financial services, KPMG AZSA & Co. (currently KPMG AZSA LLC)
 Jun. 2006 Board Member, KPMG AZSA & Co.
 Jul. 2011 Chairman, KPMG FS Japan
 Jun. 2013 Retired KPMG AZSA LLC

Jul. 2013 Established Mori Certified Public Accountant Office
 Chairman of the Japanese Institute of Certified Public Accountants
 Jul. 2016 Retired as Chairman of the Japanese Institute of Certified Public Accountants

Outside Director of the Company (current position)
 No. of Company shares held: 0 shares



Tsuyoshi Yoneda

Director, Independent Director, Outside Director

Chairman of the Audit Committee

Apr. 1976 Joined National Police Agency
 Jul. 1997 General Manager, Wakayama Prefectural Police Headquarters
 Sep. 2001 General Manager, Criminal Affairs Department, Metropolitan Police Department
 Aug. 2003 General Manager, Kyoto Prefectural Police Headquarters
 May 2005 General Manager, Organized Crime Department, National Police Agency
 Sep. 2007 Commissioner, Criminal Affairs Bureau

Jun. 2009 Commissioner-General's Secretariat
 Oct. 2011 Deputy Directors-General
 Jan. 2013 Commissioner General

Jan. 2015 Retired
 Jun. 2015 Outside Director of the Company (current position)

No. of Company shares held: 0 shares

Members of the Nomination Committee

Akira Kiyota
 (Chairman)
 Koichiro Miyahara
 Hitoshi Ogita
 Hideaki Kubori
 Katsuhiko Honda

Nomination Committee

The Nomination Committee is comprised of 5 directors, 3 of whom are outside directors. This committee decides on proposals to be submitted at the general shareholders meeting regarding the election and removal of directors.

Members of the Compensation Committee

Katsuhiko Honda
 (Chairman)
 Akira Kiyota
 Koichiro Miyahara
 Christina Ahmadjian
 Eizo Kobayashi

Compensation Committee

The Compensation Committee is comprised of 5 directors, 3 of whom are outside directors. This committee determines the compensation of each individual director and executive.

Members of the Audit Committee

Tsuyoshi Yoneda
 (Chairman)
 Christina Ahmadjian
 Main Kohda
 Masayuki Hirose
 Kimitaka Mori

Audit Committee

The Audit Committee is comprised of 5 directors, 4 of whom are outside directors, including 1 who is a certified public accountant. Efficient audits are conducted by monitoring and verifying the internal control system and its operational status.

Management Team

Japan Exchange Group, Inc.

Akira Kiyota Director & Representative Executive Officer, Group CEO	Hiroyuki Shibuya Senior Executive Officer & CIO IT Planning	Yoshinori Karino Senior Executive Officer IT Planning	Moriyuki Iwanaga Senior Executive Officer & CFO Treasury, IR, and Clearing & Settlement Development
Koichiro Miyahara Executive Officer Management of Tokyo Stock Exchange, Inc.	Hiromi Yamaji Executive Officer Management of Osaka Exchange, Inc.	Hironaga Miyama Executive Officer Management of Japan Securities Clearing Corporation	Isao Hasegawa Executive Officer General Administration
Satoshi Futagi Executive Officer Human Resources and Corporate Communications	Takeshi Hirano Executive Officer Corporate Strategy	Atsushi Tabata Executive Officer Global Strategy	

Tokyo Stock Exchange, Inc.

Koichiro Miyahara President & CEO	Kiyoyuki Tsuchimoto Director & Executive Vice President Equities and Financial Literacy Support	Masaki Shizuka Director & Executive Vice President Listing and New Listings	Hiroyuki Shibuya Director & Senior Executive Officer IT Administration and IT Development (Equities Trading and Information)	Akira Kiyota Director (part-time)
Takashi Moriya ¹ Standing Statutory Auditor	Katsushi Kuroda ¹ Statutory Auditor	Atsushi Shimizu ¹ Statutory Auditor	Masayuki Hirose Statutory Auditor	Yasuyuki Konuma Senior Executive Officer New Listings and Equities (Client Relationship Management)
Ryusuke Yokoyama Executive Officer IT Administration, IT Development (Clearing) and IT Services	Yoshihiro Isaka Executive Officer Information Services	Hiroyasu Ichimoto Executive Officer Equities Business Development	Masayuki Murata Executive Officer New Listings	Isao Hasegawa Executive Officer General Administration
Katsumi Ao Executive Officer Listing	Atsushi Tabata Executive Officer Financial Literacy Support			

Note: 1. Outside

Osaka Exchange, Inc.

Hiromi Yamaji President & CEO	Kotaro Yamazawa Senior Executive Vice President	Yoshinori Karino Director & Senior Executive Officer IT Development (Derivatives) and IT Services	Masahiko Maruyama Standing Statutory Auditor	Hiroshi Iwaki ¹ Statutory Auditor
Yasuhiko Ogawa ¹ Statutory Auditor	Hiroyuki Shibuya Senior Executive Officer IT Administration, IT Development (Derivatives) and IT Services	Yoshihiro Isaka Executive Officer Information Services	Hiroyasu Ichimoto Executive Officer Market Planning and Derivatives Business Development	Tatsuya Kamiki Executive Officer Market Operations
Isao Hasegawa Executive Officer General Administration	Atsushi Tabata Executive Officer Financial Literacy Support			

Note: 1. Outside

Japan Exchange Regulation

Takafumi Sato ¹ President	Yasushi Suzuki Standing Governor Listing Examination / Listed Company Compliance	Hiroyuki Matsuzaki Standing Governor Trading Participants Examination and Inspection / Market Surveillance and Compliance / General Administration	Hidetaka Kawakita ¹ Governor	Hideaki Kubori ¹ Governor
Koichi Masuda ¹ Governor	Shosaku Shimomura Standing Auditor	Takashi Moriya ¹ Auditor		

Note: 1. Outside

Interviews with Outside Directors



Hitoshi Ogita

Outside Director

Japan Exchange Group, Inc.

Mr. Ogita is Outside Director at Japan Exchange Group, Inc. and Senior Adviser at Asahi Group Holdings, Ltd. He began his career with Asahi Breweries, Ltd. in 1965 and rose through the ranks to become Managing Corporate Officer and Senior General Manager of Kyushu Regional Headquarters, Asahi Breweries, President and Representative Director of Asahi Soft Drinks Co., Ltd., and then President and Representative Director of Asahi Breweries. He concurrently serves as Outside Director at the Imperial Hotel, Ltd. and NEC Corporation.

What is your general impression of JPX?

People may not notice the stock exchange in general, but it is social infrastructure of a highly public nature that has a significant impact on the activities of Japanese companies. The development of direct financing markets played a key role in the modernization of Japan and its economic growth. Having access to a high profile, solid exchange market has long given Japanese companies a major advantage, and they aspire to list their shares on the exchange market. In this sense, I think JPX ranks alongside the New York Stock Exchange and the London Stock Exchange as one of the world's major exchanges.

Japan's Corporate Governance Code was established in 2015, and it was coined the first year of corporate governance reform in Japan. Japanese companies have revisited the fundamentals of corporate management, such as their corporate philosophies, the roles and functions of the board of directors, and their approaches to CEO succession. The enforcement of the Code gave companies the impetus and opportunity to consolidate their

thoughts on these aspects of corporate governance. In fact, I actually sense that there is more discussion recently about hastening decision making and raising capital efficiency.

The Corporate Governance Code suggests how governance frameworks should be structured for efficient management, and I believe that its essence lies in guiding companies toward adopting aggressive management to help enhance their earning power. Today, developments across the world can have an immediate and major impact on Japanese companies. On top of that, corporate managers must seriously consider how to face pressing issues such as Japan's declining birthrate and rapid advancements in information technology. Under these circumstances, both Japanese and foreign investors and shareholders will be paying close attention to see how Japan's Corporate Governance Code actually functions.

By helping to establish Japan's Corporate Governance Code, JPX played a major role in connection with the survival of Japanese companies. In the years ahead, this role will only become more important.

“As infrastructure that is indispensable for society, JPX must become attractive to both companies and investors. Achieving this will make JPX the most preferred exchange in Asia.”

JPX plays a major role as Japan's social infrastructure, but what should JPX do to increase its corporate value?

For Japan to progress as an affluent society, it must provide opportunities for companies to raise funds and for investors to manage their assets. Since JPX is part of the social infrastructure that is supposed to invigorate economic activity, we must first verify certain things, like whether JPX can raise its reliability and public nature, and whether the products and services it offers actually provide the value that market users, its customers, are looking for.

Next, JPX is asked to nurture listed companies, to make them attractive and reliable investments over the long term. Investors will not put their money in companies that are not attractive investments. A major point will be whether the Corporate Governance Code will take root and boost the efforts of listed companies toward increasing corporate value.

The third point is providing support for IPOs and budding entrepreneurs. Of course, to maintain the quality of listed companies, we will still need to conduct stringent examinations, but the question is how to increase opportunities for listing. For example, we could consider whether there are ways to make it easier for a company to list, which would be one significant factor in raising profitability.

The fourth point is broadening the individual investor base. In Japan, encouraging individuals to invest and manage their own assets is a major theme. At present, dividend payout ratios are increasing and dividend yields are high. Therefore, from the perspective of shareholder returns, investing should be becoming more attractive. One effective approach might be to actively disseminate this kind of investment information while developing the market appropriately. It will also be important to develop a wide range of financial products to accommodate the diverse appetite for risk among investors.

Finally, JPX is part of Asia, and if we cast our eyes across the rest of the region, we will see that Asian

companies may be on the verge of enormous growth, just as Japanese companies once were. As such, JPX must build on its relationships with other Asian countries for continued prosperity together over the long term. To do this, JPX must fulfill the role of linking Japan's ready capital resources to the demand for funds among companies in other Asian countries. Stock exchanges are part of the basis for the growth of Japanese companies and the Japanese economy. Following this trend, I think JPX should raise its profile in Asia.

Through these initiatives, as a part of the infrastructure that is indispensable for society, JPX must become attractive to both companies and investors. Achieving this will make JPX the most preferred exchange in Asia.

From your experience in management, what do you think are the conditions for an excellent company?

The most important thing for a corporate manager is to grow the company, envisioning it over the next 10 to 20 years, increase its corporate value, and then hand it over to the next generation.

I believe that corporate value is a combination of three things: customer value, social value, and the economic value that is generated by increasing the first two. In feudal Japan, the merchants of Omi, the area south and east of Lake Biwa in Shiga Prefecture, plied their trade in the spirit of being “good for the seller, good for the buyer, and good for society”. Something in that spirit remains relevant to us today.

The world around us is constantly changing, and companies have to continue offering products and services that customers need. It is also important for them to be considered reliable and irreplaceable to the community and society, because companies that are not needed by society will quickly fall away. Also, embracing a culture that nurtures diversity in human resources will lead to business growth.

I would consider any company that is equipped with all these qualities and continues to survive over time as an excellent company.

Interviews with Outside Directors

In your opinion, what does society expect of JPX?

The world economy is at a major turning point as evidenced by the U.K. leaving the EU, the upcoming U.S. presidential election, developments in China, among other global events. Along with these, issues in the financial markets are becoming more complex and diverse. Markets around the world are linked globally, and, even after the results of the Brexit vote, the decline in the Tokyo market was larger than the drop in the London market. The same thing happened at the time of the shocks caused by Greek debt problems and events in China. This demonstrates how easy it is to trade in the Tokyo market, and how liquid and efficient it is. These are extremely important points for JPX, and I believe we must work to protect these aspects.

On the other hand, because trading is smooth, prices can move sharply, and this could impact the business of companies listed on the market.

These two sides are sometimes in conflict, but one solution may be to have a more diverse range of market participants, or build a market with a less biased investor composition by increasing participation by long-term investors and individual investors. If we can accomplish this, the market will likely achieve a natural balance to address the problem on its own.

In addition, I think it is important to raise the attractiveness and competitiveness of the Tokyo market among companies thinking about listing so that they consider Tokyo ahead of New York and London. This is not something that JPX can achieve on its own, but will require deeper collaboration with various parties. Enhancing the financial infrastructure and improving financial literacy should also be areas that should be addressed.

For these, it will also be necessary for JPX to take the initiative and be careful to maintain good communication with market users. If it places too much emphasis on making the market accessible, this could exaggerate price fluctuation and end up

giving the impression of a fragile market, which is not desirable. I believe we have to create an environment where market participants can trade with confidence. In other words, we should raise the transparency of the market and create a positive market environment.

Changes to many aspects of the environment and major assumptions at the foundations of the world economy, like negative interest rate policies, the emergence of fintech, virtual currencies, and artificial intelligence, are happening at an increasingly alarming pace. In a situation where companies have to face severe business competition, JPX will be asked to provide an environment as social infrastructure that enables them to take appropriate risks for their business.

What roles do you think are expected of you as an outside director? Also, what roles would you like to play?

Through my experience in fund-raising, bond trading, foreign bond sales, corporate finance, and other fields, I feel that I was nurtured in the financial market in the early years of my career. Over the last five years or so, in my capacity as outside director at Japanese manufacturing companies such as Japan Tobacco and LIXIL Group, I had the opportunity to observe up close the dynamism of Japanese corporate management when they deployed their businesses globally.

When corporations seek to grow globally, they must confront global risks, and their ability to withstand these risks will constantly face stern tests. JPX must support these companies through the market and, by extension, support the Japanese economy. The most important perspective for this is “going concern”, and I will constantly return to this perspective in performing my duties and responsibilities as an outside director of JPX. Financial markets are instruments of society, just as corporations are instruments of society.



The important thing is to align our basic stance with “going concern” to support global companies, and by extension the Japanese economy, through the market.



Main Kohda

Outside Director
Japan Exchange Group, Inc.

Ms. Kohda is Outside Director at Japan Exchange Group, Inc. After a career in finance that included working as a bond dealer in a U.S.-based financial institution, she became an independent novelist. In her novels and other publications, which include an account of the history of Japan's bond market that won the 33rd Jiro Nitta literary prize, she demonstrates excellent writing skills and deep insight into the human character. She was a Visiting Professor of the Faculty of Economics of Shiga University and previously served on the Board of Governors at NHK (Japan Broadcasting Corporation) as well as on the Japanese national government's Fiscal System Council and Tax Commission.



How corporations should be governed is an issue that is often discussed amid the growing attention in corporate governance in recent years. I believe it is important to fuse the so-called Anglo-Saxon model of management with the good points of Japanese-styled management. Japan's Corporate Governance Code should be more than just putting the framework in place, and it is important to take a deeper perspective to consider the true nature of governance and its objective. As an outside director, I believe I must work ceaselessly to encourage a high degree of integrity in corporate management through the market.

What do you believe should be the function of the board of directors? Taking it further, what do you think is important for enhancing the effectiveness and efficacy of the board?

All directors deeply identify with the idea that they should work in the interests of all stakeholders, so it will be fine if the board functions properly in line with this idea. In business, it is sometimes necessary to take bold risks. While risks involve danger, they are also opportunities for growth.

When pursuing better corporate value, the board of directors must have a clear understanding of inherent business risks and manage them. For such cases, it is important for the board to ensure transparency and accountability in the fulfillment of our responsibilities.

As for how to enhance the effectiveness and efficacy of the board, outside directors and inside directors share a common goal of increasing corporate value. We should spare no effort in conducting positive and healthy discussions toward this shared goal. As outside directors, we should not be bound by past experience or success stories and must bring in our perspective as an outsider to fulfill our checking function. Seeing things through a "different pair of eyes" often reveals something new - that is the significance of securing diversity. I have a great affinity for the market, so I will have to constantly remind myself to offer my view as an outsider.

Risk Management

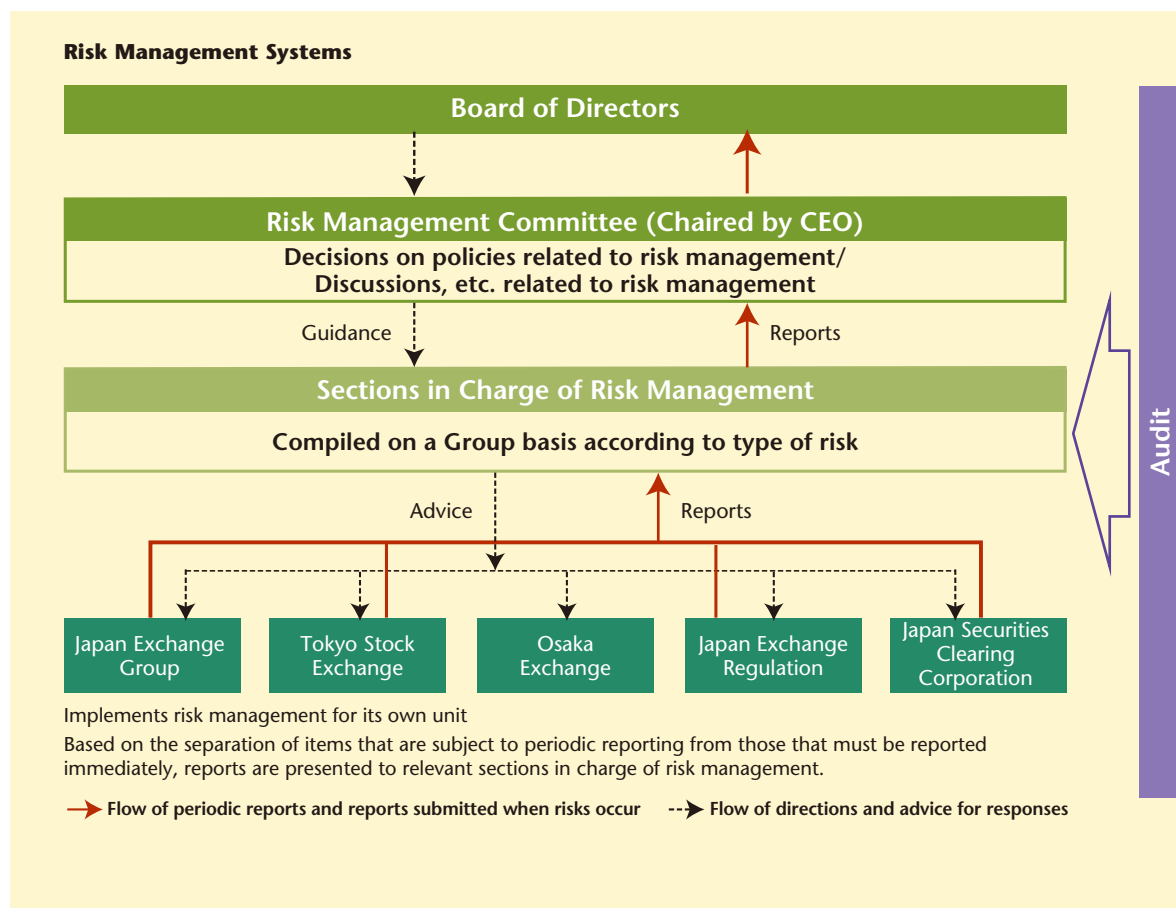
JPX exerts a public role as the market operator. It is essential for JPX to maintain sound and stable business operations to continue to increase its corporate value. As such, JPX designs and conducts its risk management with this in mind.

Risk Management Systems

JPX confronts numerous risks in the course of its operations, risks associated with system issues, legal matters, compensation in the event of defaults by clearing participants, clerical errors, and other operations. JPX has established a Risk Management Committee (RMC) to address such risks. Chaired by the CEO and in line with JPX Risk Management Policy, RMC is responsible for identifying risks as well as developing and implementing measures against them with a view to preventing such risks before they occur. Moreover, JPX has a system in place to ensure swift and appropriate response when risks do or are likely to materialize.

RMC is composed of core members and project members who oversee the risks involved in specific projects. Core members include the CEO (who serves as chairman) and the Executive Officer overseeing the General Administration Department, and the Director of said department. The chairman of the RMC assigns project members to specific cases as they arise.

The Risk Management Policy serves as a means for preventing risks before they occur by indicating and classifying the risks confronted by JPX. Case assignments for departments or sections are based on this classification, and information on the assessments of operations and issues to be addressed



are periodically brought before RMC. In addition, when a major issue arises, RMC gains an overall grasp of the situation and gives directions for dealing with issues as quickly as possible. All procedures call for necessary information to be reported to management promptly and without fail.

Systems Capacity Management

In recent years, along with increases in system speeds and the growing prevalence of co-location services, there has been an increase in the number of orders processed daily by JPX trading systems. In view of these changes and while looking to the future, JPX is monitoring market trends and system use and working to manage the system capacity of the JPX Group as a whole. In this way, JPX aims to prevent any system capacity issues that may arise.

Capacity management is not conducted by the IT Department alone, but also by the Capacity Management Committee (CMC) with the CIO as

chairperson. As a cross-divisional committee, it includes executive officers and departments in charge of market operations.

Geared toward realizing even better systems, CMC monitors, analyzes, and assesses the status of system operating conditions; works on improvements in current systems; and provides feedback during the planning and development of next-generation systems. CMC employs a PDCA management cycle in its activities, while reporting to management periodically and on a case-by-case basis to make rapid and appropriate decisions about priority or emergency issues related to system capacity.

Business Continuity Plan

JPX's core responsibility as a market within the social infrastructure is to provide reliable markets for market users to trade with confidence. Therefore, even when major risks do materialize, such as in the form of natural disasters or terrorist acts, JPX must be prepared to answer society's call and continue its operations. To be ready for such situations, JPX's Business Continuity Plan (BCP) defines how we respond to materialized risks.

The basic concept under JPX's BCP is to continue all possible services in times of crisis. If the suspension of some services is unavoidable, these services should be resumed as soon as possible. For instance, even if a serious incident, such as a major earthquake, occurs and this has a significant impact on business continuity, in principle, JPX aims to resume clearing operations in about two hours and trading operations within 24 hours and, to the greatest extent possible, prevent the loss of a trading day.

To achieve said targets, in addition to its primary data processing center where operations take place during normal times, JPX also maintains a secondary (backup) center to abate the impact of natural disasters. If the primary center suffers damage in a natural disaster and cannot continue operations, trading and other core systems in the backup center go into operation, allowing trading to resume quickly.

Risk Classification

Types of Risk	Risk Examples
Business environment and business strategy risk	Economic fluctuations, legal matters, demographic changes, technological progress, investor trends, public opinion, errors in choice of businesses
Accidents and disaster risk	Major earthquakes, typhoons, tsunami, epidemics, terrorism, failure/stoppage of social infrastructure, fires, accidents
System risk	Shortage of capacity of hardware and application error risk
Legal risk	Violations of laws on operating, business partner's failure to perform on contracts, and risks related to anti-social forces
Financial risk	Risk that reliability of financial reporting may be compromised, lack of funds, loss or damage to assets, including deposits
Human risk	Shortage of personnel, industrial accidents of employees, and risks related to damage to health
Information security risk	Leakage of information, improper access, computer virus risk
Operational risk	Mistakes/misjudgments in operational procedures
Risk of associated companies	Emergence of risk in Group companies
Reputational risk	Decline in public reputation due to statements of employees and/or third parties
Credit risk and liquidity risk arising from obligation assumption business	Emergence of losses due to default, etc., by clearing participants
Other risk	Risks other than those mentioned above

Furthermore, in preparation for potential widespread disasters, such as large-scale earthquakes, the core telecommunications network, arrownet, has been designed as an optical ring network that surrounds the Tokyo metropolitan area. Even if a portion of the network is severed by a disaster, transmissions will be re-routed immediately, ensuring that communication connections are maintained.

JPX's BCP also defines activities by type of risk for those that are currently identified, as well as detailed plans for securing personnel for BCP emergency headquarters along with methods of communication. JPX's BCP is periodically reviewed at least once a year and revised accordingly in light of changes in the operating environment.

Crisis Management **WEB**

<http://www.jpx.co.jp/english/corporate/about-jpx/crisis-management/index.html>

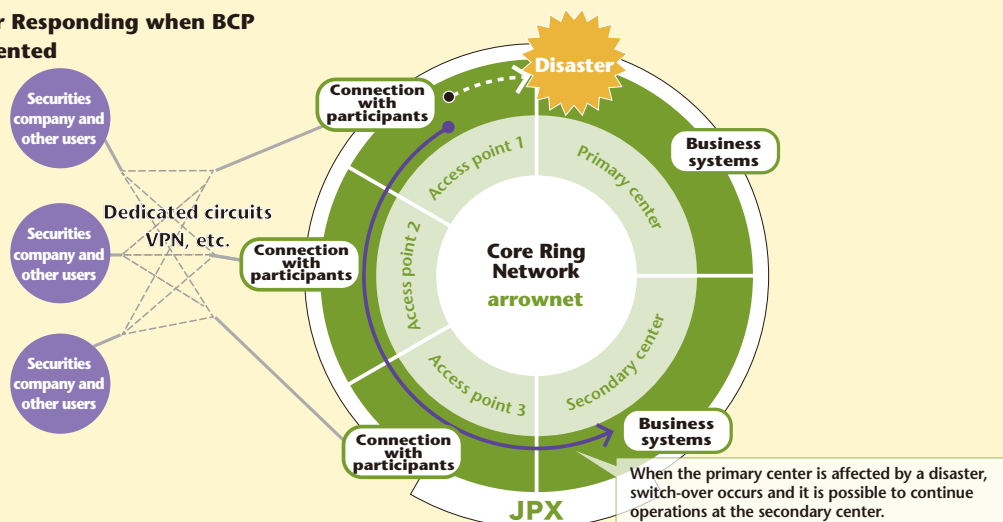
Contingency Plans

In addition to guaranteeing trading opportunities and maintaining fair pricing in the market, it is necessary for securities companies and other market participants who place orders with the exchange market to maintain a certain level of preparedness. JPX has formulated contingency plans for disseminating and publishing its basic crisis response policies if trading is hindered in situations where JPX or other external systems encounter difficulties, where natural disasters or terrorist acts occur, or where parts of the social infrastructure are no longer functioning. Some examples of this are when trading participants that account for 20% or more of equity trading can no longer participate or when information on companies that amount to 20% of total market capitalization cannot be transmitted. In these situations, JPX's policy is to suspend trading based on concerns over the adverse impact on liquidity and fair and reliable price formation.

Procedures for Restoring Business Activities after Disaster Occurs



System for Responding when BCP is Implemented



Internal Control Systems/Compliance

As the provider of a fair and reliable market, JPX has the responsibility to be a social model. In response to the high expectations of society, as a base for creating corporate value, JPX designs and implements internal control systems for the proper conduct of its business operations and endeavors to observe strict compliance standards.

Internal Control Systems

JPX has established the Basic Policy on Establishment of Internal Control System, and has developed its internal control systems based on this policy. To ensure the proper operation of business processes throughout the corporation, JPX has created systems for ensuring compliance with laws and regulations, safeguarding and managing information, managing loss risk, ensuring efficient operations, and for internal control of the JPX Group. To ensure that these systems are functioning properly, the Internal Auditing Office, an independent unit that reports directly to the CEO, periodically confirms and assesses the status of internal controls.

Basic Policy on Establishment of Internal Control System **WEB**

<http://www.jpx.co.jp/english/corporate/about-jpx/internal-control/index.html>

Compliance

Stable and appropriate business activities require not only well-designed business operating systems, but also for all members of management and employees to have a strong sense of ethics and observe laws and rules as a matter of course. For this reason, JPX has introduced a program to heighten awareness of compliance issues.

Compliance Program

JPX has established its Charter of Corporate Behavior as a set of standards for ethics and morals. This Charter clearly states the expected corporate behavior. Moreover, in order to realize effective internal control functions, JPX continues to increase awareness among management and employees through further development of internal systems, as well as through educational and training activities.

Establishment of the Charter of Corporate Behavior

JPX established its Charter of Corporate Behavior to maintain harmony with society and make clear the social responsibilities that an open and transparent corporation should fulfill. The Charter states the basic policies for corporate behavior from the perspectives of ethics and morals. It also indicates clearly JPX's stance of placing importance on investors and reflects JPX's commitment to becoming an open company.

Development of Internal Structure

Under the JPX organizational structure, the CEO assumes responsibility for compliance and oversees all compliance-related matters. The CEO is assisted by the executive officer responsible for compliance and the Compliance Secretariat, which takes charge of operating the Compliance Hotline and the execution of other administrative matters.

Establishment of a Compliance Hotline

JPX has a Compliance Hotline to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including the Charter of Corporate Behavior. When certain behavior involving JPX officers or employees is suspected to be in violation of compliance, the hotline makes it possible to detect such acts promptly through a call and introduce measures and frameworks to address them.

Activities for Continued Awareness

JPX engages in a number of activities to ensure continued awareness of compliance issues. These include holding meetings of staff in charge of compliance matters from all organizational units, distributing compliance handbooks, communicating information on compliance matters through the intranet, and holding e-learning courses.

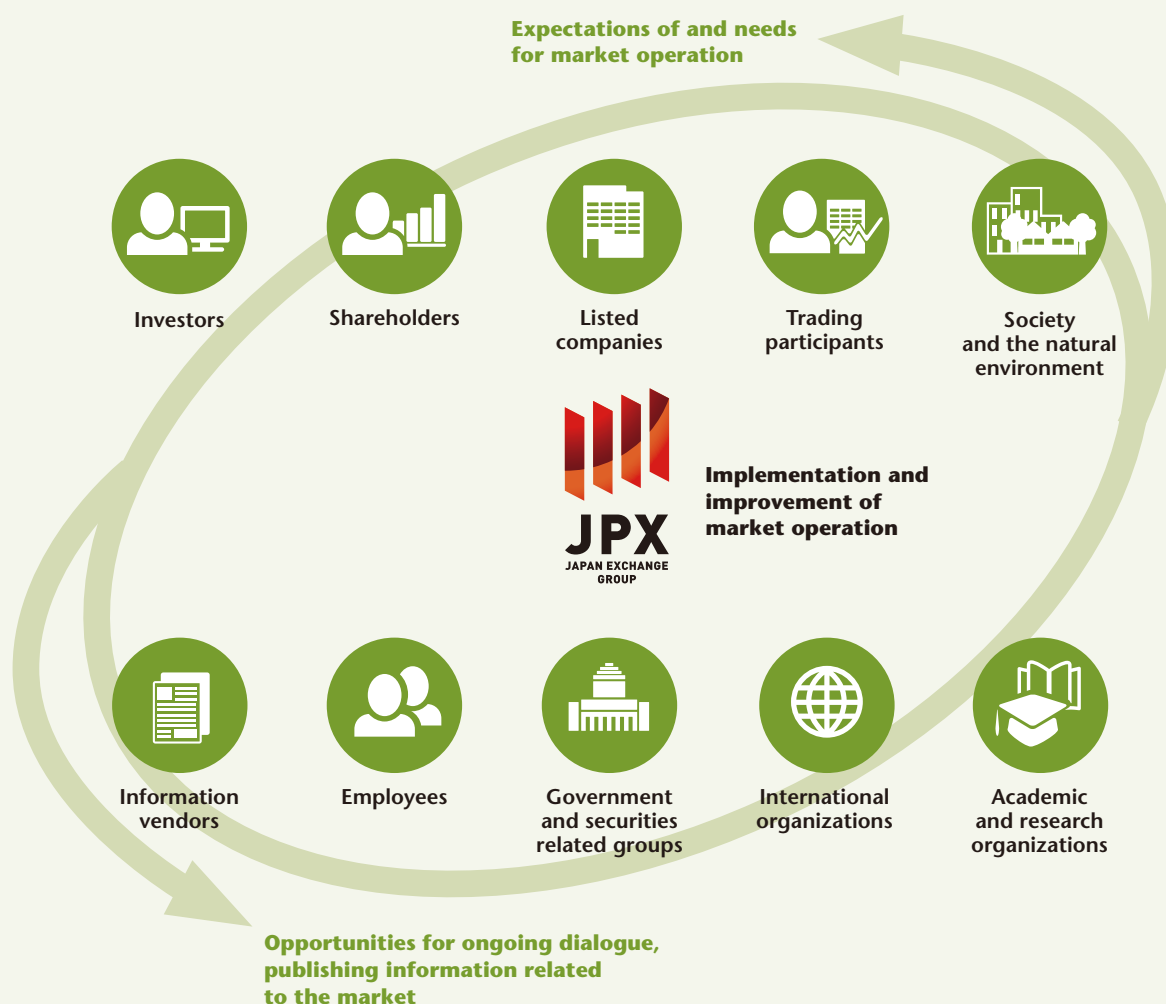
Compliance Program **WEB**

<http://www.jpx.co.jp/english/corporate/about-jpx/compliance/index.html>

Engagement with Stakeholders

In addition to steadily performing its principal roles of developing the market infrastructure and operating the market, JPX believes it important to maintain ongoing dialogue with a wide range of stakeholders, including shareholders, listed companies, trading participants (securities companies), and other related organizations to deepen mutual understanding. Through dialogue, JPX can understand the expectations and needs of stakeholders. JPX is committed to using this information in operating the market and achieving symbiosis with society and to securing sustained growth in corporate value.

Mutual Understanding through Dialogue with Principal Stakeholders of JPX



Engagement with Society

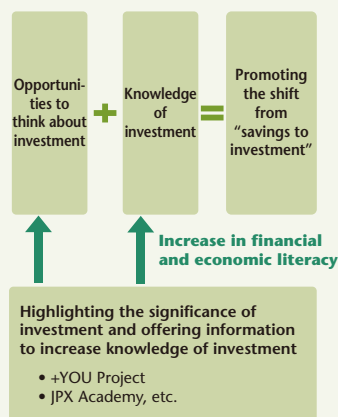
The corporate philosophy of JPX is to contribute to realizing an affluent society through healthy and sustainable market development. To realize this corporate philosophy, JPX works to vitalize financial and capital markets, promotes financial education, collaborates with related organizations, implements research activities, and makes the results available to the public.



Driving the Economic Growth Cycle through Asset Utilization



Initiatives to Encourage Participation in the Market



Promotion of Financial Education

Japan is facing problems arising from a shrinking workforce and limitations on its social security system. Therefore, the major task at hand for Japan is figuring out how to use its assets as efficiently as possible to generate economic growth for the next generation. JPX believes it can help to address these issues by raising the financial literacy of each and every member of our society and by pushing for a shift from savings to investments. To this end, JPX implements various initiatives.

In Japan, households have ample monetary assets, totaling more than ¥1,700 trillion; however, these assets are still not fully utilized. Examination of the composition of Japanese household assets shows that cash and deposits account for a substantial 53.0% of the total, while stocks and other investments account for only 9.1%.

If the aforementioned portion of household cash and deposits that accounts for over half of household assets were to be invested in companies, this could potentially increase production capacity and lead to new products and services. If companies' businesses expanded, this would bring additional employment and lead to increased wages. We need to create a virtuous cycle in the Japanese economy in this way, by promoting the shift from savings to investments.

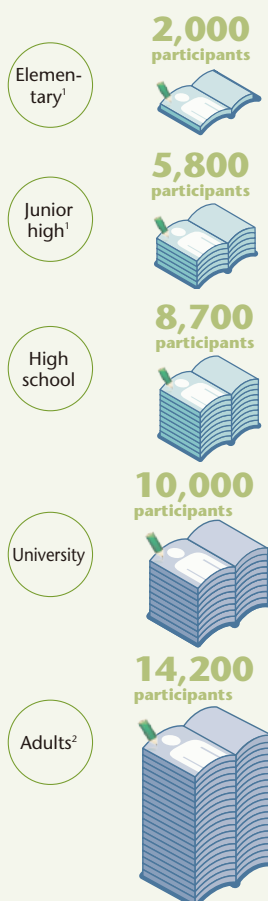
On the other hand, if we rely only on existing systems and approaches, as the times undergo major changes, such as the social security system being reviewed with low birthrates and the aging of the population, there will be no guarantees that there might be sufficient financial resources for the elderly to live affluent lives after retirement. Each and every one of us must build our assets in a manner suited to our life cycles.

For this reason, JPX offers programs, including Japan Economic Support Project "+YOU" and "JPX Academy", to provide opportunities for and motivate beginners with zero or limited experience to think about investments. JPX also offers various educational programs that aim to increase financial and economic literacy by providing practical information on investment products and investment methods. JPX contributes to the development of the Japanese economy through these activities by providing more people with the information necessary to participate in the market on their own accord, thereby accelerating the shift from savings to investments.



Economics Lectures for Parents and Children (Tokyo)

Support for All Generations



Notes: 1. Figures for elementary and junior high are the sum of participants in the Outreach to Schools and Economics Lectures for Parents and Children programs.
2. Figures for adults are the sum of participants in JPX Academy and +YOU Project.

JPX Academy

“Finance and economics” and “asset formation” are relevant to everyone, and there is a growing need to provide and increase opportunities for people of any generation to learn about them. At JPX Academy, besides covering equity and derivative products in our explanations on financial products, such as stocks and ETFs (exchange traded funds), we offer information from a neutral point of view on macroeconomic trends, the latest economic theories, and other subjects relevant to asset building and management. In FY2015, more than 7,500 persons participated in JPX Academy programs.

Outreach to Schools (Elementary to High School)

Although our daily lives are closely related to the economy and stock companies, there are very few opportunities to learn about these topics in school. To remedy this situation, JPX sends staff to speak during politics & economics or civics classes in school. They give lectures on how stock corporations work and mix some role-play and skits to let students become familiarized with finance and economics. During FY2015, JPX spoke to more than 120 classes, reaching out to 7,300 students. These lectures are also given at Tokyo Stock Exchange and Osaka Exchange along with tours of the facilities to let students experience the dynamism of economics on-site. In FY2015, in Tokyo alone, JPX gave more than 340 lectures to over 8,000 students.

Economics Lectures for Parents and Children (Elementary and Junior High School Students)

JPX holds many events, mostly during summer vacation, for elementary and junior high school students and their families to familiarize with finance and economics. In FY2015, a cumulative total of more than 2,600 persons participated in these events. Osaka Exchange held “Learning with Children - Finance and Stocks Summer School”, for fourth grade to sixth grade students, with Osaka prefectural government’s finance and public relations committee, Japan Securities Dealers Association, and other organizations. The students heard explanations from on-site staff as they visited key facilities in the Osaka financial and economic community.

Lectures for University Students

JPX gives lectures in universities nationwide to substantially deepen the understanding of finance, economics, and securities markets of college students who will soon be deeply involved in the Japanese economy. Students also have the opportunity to visit Tokyo Stock Exchange and Osaka Exchange to gain firsthand experience and attend lectures. In FY2015, more than 190 lectures were held as part of this program, attracting more than 10,000 attendees.



Seminars for teachers

Sponsored Courses

To help nurture the next generation of leaders, JPX holds sponsored courses at Keio University and Sophia University. The lectures mainly focus on listing and disclosure systems, bringing in case studies while discussing issues such as the expected role of listed companies and the latest developments in laws, economics, management, and accounting related to the securities market.

Seminars for Teachers

JPX offers lectures on economics to teachers. Held mainly during summer vacation, this program equips junior high and high school teachers with knowledge for classroom teaching for subjects such as social sciences and civics. JPX also sends staff to speak at training and study sessions for teachers.

Visits to JPX Facilities

To give people a better firsthand understanding of securities exchanges, JPX opens its facilities to group and individual visits from a wide range of people, from elementary school children to university students and the general public.

In FY2015, more than 66,000 persons in total visited TSE Arrows at Tokyo Stock Exchange and OSE Gallery at Osaka Exchange.



Visitors at OSE Gallery

Joint Projects with Securities Industry Groups

JPX collaborates with securities industry groups and organizations to offer programs to disseminate information and forge a deeper understanding of securities. In particular, JPX offers simulated stock investment programs for students from junior high to university to help them learn about the relationship between stock price fluctuations and economic phenomena. More than 39,000 students participated in these programs.

JPX Entrepreneur Experience Program

The JPX Entrepreneur Experience Program is aimed at giving students the experience of running and managing a simulated start-up stock company that operates a bazaar stall. This entrepreneur education program involves events for participants to learn and gain the ability to think on their own initiative and, thereby, contribute to their “zest for life”. Part of the JPX Group’s CSR activities, the JPX Entrepreneur Experience Program Committee collaborated with schools and regional communities. In FY2015, this program was conducted in 12 locations across Japan and drew about 230 participants.

This initiative received an honorable mention award from the judges of the FY2015 edition of an award that recognizes companies that offer hands-on experience activities for young people and is sponsored by the Ministry of Education, Culture, Sports, Science and Technology. JPX has also been recognized as a corporation that offers outstanding experience activities for young people as part of its contribution to society.



JPX Entrepreneur Experience Program



Project for Supporting the Japanese Economy

+YOU

Each and Every One of Us Has a Role
in the Japanese Economy

TSE has been involved in the “+YOU Japanese Economy Support Project” since FY2012 under the “imparting new energy upon Japan through the securities markets” slogan. The objective of this project is to inform as many people as possible of the true meaning and dynamics of securities investments.

Japan Support Nationwide Caravans

This is a series of seminars to communicate the meaning, significance, and appeal of stock investment to new and potential investors in an easily understandable way. We invite speakers who are experts in investment to hold seminars for participants, including those who have no interest in economics or investment, by providing easy-to-grasp explanations on the attractiveness of investment.

In FY2015, we held 47 seminars with a total number of 6,725 participants, surpassing the previous year. The follow-up survey revealed that 91.6% of the participants were “very satisfied” or “satisfied”, and 85.8% responded that they “had a more positive attitude toward investment” or “had a relatively more positive attitude than before”.

Japan Support Nationwide
Caravan tours the country.

Join us in propelling the Japanese economy!



Seminar in Nagoya



Note: The numbers shown on the map are the total number of Japan Support Nationwide Caravan seminars held in each region since the caravan launched in FY2012.

Viewing Companies through Theme Issues

With the aim of providing opportunities for individual investors to consider securities investments or to spark interest in such activities, JPX selects and publicizes “theme issues” based on specific themes or indicators.

In FY2015, JPX selected stocks of 45 companies as “Nadeshiko Brand” issues based on the theme of female empowerment in the workplace. The “Nadeshiko Brand”, alongside the “Diversity Management Selection 100”, is part of a joint project with the Ministry of Economy, Trade, and Industry (METI) that works on promoting the empowerment of women as part of the growth strategy. Selections were made for the fourth time during FY2016. In the second phase of JPX cooperation with METI, the stocks of 25 companies were selected as “Health Management Issues” for the companies’ strategic implementation of activities contributing to the health of their employees from a management perspective. In the third phase of these joint initiatives, JPX designated stocks of certain companies as “Aggressive IT Management Issues”. These companies were chosen on the basis of their use of IT to strengthen the development of their products and services or reform their business models so as to generate new value and improve their competitiveness. Stocks for the 18 companies were chosen and publicized under said category.



Announcing Health Management Issues



Announcing Aggressive IT Management Issues



Announcing Nadeshiko Brand Stock Issues



TSE's +YOU Festa



Mr. Oki Matsumoto, CEO of Monex, Inc., speaks at the TSE Youth Meeting

Other Events

In July 2015, TSE hosted “+YOU Festa”, an event to which we invited five guest speakers to deliver passionate speeches on the theme of Long-term Investment. These distinguished speakers have stepped up to the rostrum time and time again across the nation since the caravan’s inaugural year.

More recently in February 2016, we held a “TSE Youth Meeting” to provide younger generations with information on the economy and investing.



Promoting International Cooperation

Participation in and Cooperation with International Organizations

World Federation of Exchanges (WFE)

WFE is a global industry association for exchanges and clearing houses, with membership of 63 exchanges around the world (as of July 2016). Its various initiatives include making policy proposals, conducting surveys and research, and providing statistical data related to capital markets. WFE also supports market infrastructure development through information sharing among member exchanges and technical support for emerging exchanges. Recent activities of WFE include sharing information on the role of exchanges in promoting ESG (environment, society, and governance), cybersecurity initiatives, post-trade and other matters, and conducting research on various market systems including circuit breakers and market liquidity.

JPX actively supports WFE initiatives by participating in its General Assembly, Board of Directors, and Working Committee. Especially noteworthy was JPX's leadership in November 2015 in establishing a study group on financial education and literacy. As the chair of this group, JPX engages in activities to facilitate coordination and collaboration among exchanges in the area of financial education.

Asian and Oceanian Stock Exchanges Federation (AOSEF)

AOSEF is a regional federation of 19 stock exchanges (as of July 2016) located in the Asia-Oceania region. AOSEF aims to facilitate information sharing and provide mutual technical support among member exchanges. JPX serves as the secretariat for AOSEF, promoting research initiatives while also leading the General Assembly and Working Committee.

Recent activities include information exchange regarding initiatives to promote cross-border transactions in the Asian region and the role of exchanges in enhancing sustainability.

Acceptance of Trainees from Overseas Exchanges (commissioned by JICA)

Each year since 1995, commissioned by the Japan International Cooperation Agency (JICA), JPX accepts staff from overseas exchanges and related organizations as trainees. In recent years, the establishment and upgrading of stock exchanges in the high-growth countries of Asia have risen in importance. JPX's expert staff deliver lectures on core exchange business topics, ranging from listing examination, listing management, trading rules and systems to trading participant programs, and clearing and settlement, as well as recent topics such as corporate governance. In addition to the programs JPX has led for participants from various countries over the years, more recently, we also spearheaded training for personnel from a specific country, Myanmar, in the area of stock exchange establishment and operation. This was part of the support provided by JPX in the establishment of Yangon Stock Exchange in 2015. JPX tailors the content of training programs to the needs of participants and contributes to the development of stock markets in countries across Asia.



AOSEF



Closing meeting for JICA training program



Promoting Academic and Research Activities

JPX Working Papers

JPX conducts surveys and research on changes in the operating environment surrounding the market and related legal systems to enhance its competitiveness. JPX officers and employees work with external researchers to compile and publish the results of such studies as *JPX Working Papers*. Bringing together the academic approaches of external researchers and the knowledge and data that JPX obtains in the course of operating the capital market, these papers are published to invite broad commentary from academia, research institutes, market users, and related parties.

JPX Working Papers **WEB**

<http://www.jpx.co.jp/english/corporate/research-study/working-paper/index.html>

Joint Research with The University of Tokyo

JPX collaborates with The University of Tokyo to conduct research on data analysis and simulation technologies to contribute to the stability and efficiency of financial instruments exchange markets. JPX's finance research team works with the research teams under Professor Kiyoshi Izumi and Associate Professor Fujio Toriumi at the Department of Systems Innovation, School of Engineering of The University of Tokyo to develop technology to analyze the huge amounts of data generated by high-speed, high-frequency, and other forms of trading. Through using artificial market simulations to create situations that cannot be observed in the market, the teams also examine technology and system design that could facilitate more stable and efficient operations of financial instruments exchange markets. The results of such joint research are published from time to time in the form of *JPX Working Papers*.

Joint Research with The University of Tokyo **WEB**

<http://www.jpx.co.jp/english/corporate/csr-activities/research-activities/>

JPX Study Group on the Financial Instruments and Exchange Act

In recent years, with developments such as the enforcement of the Financial Instruments and Exchange Act, the legal framework for finance and securities in Japan has undergone major changes. JPX supports expert research on finance and securities law by providing the platform for a study group on the Financial Instruments and Exchange Act with the aim of making their research broadly available in Japan and overseas.

Focusing on the Financial Instruments and Exchange Act, the 23-member study group of leading researchers holds discussions and publishes reports on a wide range of legal issues related to the securities market. Meetings are held monthly in Tokyo or Osaka, with minutes and reports posted on the JPX website. The reports are periodically compiled into publications that are distributed to researchers and related organizations.

JPX Study Group on the Financial Instruments and Exchange Act **WEB**

<http://www.jpx.co.jp/english/corporate/csr-activities/research-activities/>

JPX Working Papers in FY2015

Released	Title
March 2016	The Effects of Japanese Employee Stock Ownership Plans on Productivity, Wages, and Corporate Performance
March 2016	Predicting Short-Term Market Fluctuations Using the VPIN Metric - An Empirical Analysis of Nikkei 225 Futures and Nikkei 225 mini



Engagement with Shareholders and Investors

JPX focuses on activities for establishing relationships based on mutual understanding by promoting two-way communication with shareholders and investors. JPX actively provides the corporate information necessary for investment decisions and shares views obtained through dialogue with shareholders and investors, which senior management can utilize, thereby contributing to enhancing corporate value.



Engagement with Shareholders

JPX held its annual general shareholders meeting for FY2015 (April 1, 2015 to March 31, 2016) on June 21, 2016, with 1,046 shareholders in attendance. JPX has made video clips of the meeting available via its website for shareholders who were not able to attend the meeting.

To provide shareholders with sufficient time to decide on how to exercise their voting rights, the notice of the shareholders meeting is sent out three weeks ahead of the meeting. Also, four weeks prior to the meeting, the Japanese and English versions of the notice are made available on the JPX website. The notice is also simultaneously made available to overseas investors via the Electronic Voting Platform for Institutional Investors. In addition, JPX is working to present the information in the notice in a more easily understandable form, using color and graphics.

Shareholders may send in their decisions by post or use the Internet or the online voting platform to exercise their voting rights. For the annual general meeting held on June 21, 2016, 87.4% of voting rights were exercised.



Notice of the 15th Annual General Shareholders Meeting

Shareholders Meeting

WEB

<http://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html>



Engagement with Institutional Investors and Analysts

IR Meetings

JPX senior management meets with investors to reach out to domestic and overseas institutional investors, as well as analysts. In FY2015, JPX went on four separate trips to meet investors across Europe, the United States, and Asia, and participated in IR conferences both in Japan and abroad.

Reports on the content of these meetings are provided periodically to management and related JPX internal departments, and then said content is reflected in JPX management practices.



Information meeting to explain the Second Medium-Term Management Plan

Briefing Session on Consolidated Financial Results and Medium-Term Management Plan

In addition to holding informational meetings on results during the second quarter and throughout the year in FY2015, JPX held a meeting to explain its Second Medium-Term Management Plan and provided a venue for investors and the management, including the JPX Group CEO, to exchange views. Videos and audio recordings of these meetings are available in Japanese and English on the same day. In this way, JPX is committed to providing domestic and overseas investors with timely information.



Engagement with Individual Investors

JPX held a total of 20 company information sessions for approximately 2,000 individual investors via major IR events, including the Nikkei IR Fair and IR Forum in Osaka and seminars held nationwide by securities companies, as well as other opportunities such as live web seminars.

JPX also provides information to individual investors on the IR section for individual investors on its website, which contains an overview of JPX, materials and videos of informational meetings, and other information.



Nikkei IR Fair

For Individual Investors (in Japanese only) **WEB**

<http://www.jpx.co.jp/corporate/investor-relations/individual/index.html>

In FY2015, JPX introduced a new IR e-mail service featuring the latest IR information for individual investors that users can register for on the website.

IR e-mail Distribution Services (in Japanese only) **WEB**

<http://www.jpx.co.jp/corporate/investor-relations/ir-mail/index.html>

Engagement in Action



Screenshot of live web seminar

Live Web Seminars for Individual Investors

In FY2015, JPX held three live web seminars aimed at individual investors, and many investors participated. There is a Q&A session held during the latter half of each seminar to answer questions raised by investors in real time. JPX receives valuable input every time.

Videos of these seminars are available in the JPX website archives for a set period.

Events for Individual Investors (in Japanese only) **WEB**

<http://www.jpx.co.jp/corporate/investor-relations/ir-event/individual/index.html>

Engagement with Market Users

Building collaborative relationships based on confidence and trust among market participants is essential for exchange operations. Accordingly, JPX provides a range of opportunities for dialogue with market users. These dialogues allow JPX to ensure the transparency of market operations and to operate markets in more convenient ways.



Engagement with Trading Participants

Market Operating Committee

TSE and OSE, the market operators of JPX, have each established Market Operating Committees as the advisory units to their respective Board of Directors, which are composed of members with academic credentials, securities companies, institutional investors, and others. For decision making on major issues, such as the listing of new products, establishment of new markets, and rule revisions, opinions are gathered from outsiders to realize more convenient operations in the markets.

Exchanging Opinions with Representatives at Securities Companies

To enhance the operations of the exchanges, JPX believes that close communication with securities companies is extremely important. To this end, at appropriate times, JPX holds meetings to exchange opinions with representatives of trading participants and arranges meetings and get-togethers with representatives of securities companies, including non-trading participants.

Engagement in Action



Public comments

Public Comments

To ensure fairness and enhance transparency of its decision-making processes, JPX creates opportunities for reflecting a diversity of opinions when decisions are made. A concrete example of this is JPX's publishing of draft proposals on its website prior to making decisions to collect comments and suggestions from a broad range of interested parties (public comments). Opinions that have been submitted in the public comment process are considered when making final decisions. These opinions are then compiled and posted on the JPX website, along with JPX's views on the issues involved.

Public Comments **WEB**

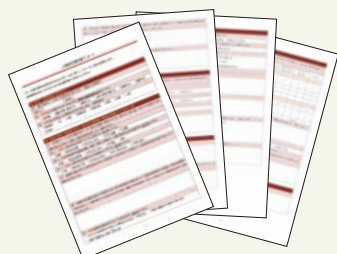
<http://www.jpx.co.jp/english/rules-participants/public-comment/>



Engagement with Listed Companies

To ensure transparency, major reviews of the listing rules, which may have a significant impact on investors, listed companies, securities companies, and other stakeholders, are implemented as necessary based on the content of discussions held by the Advisory Group on Improvements to TSE Listing System. This advisory group is composed of members selected from among persons with experience in business, academia, and other fields, as well as representatives of listed companies, institutional investors, securities companies, and other organizations.

In addition, each year JPX sends out a survey to listed companies and takes the responses into account when formulating improvements to its market operations.



Written questionnaires



Engagement with Investors

In April 2011, JPX merged its marketing functions into a single marketing department and has worked to strengthen its marketing systems. In April 2016, JPX reviewed its organizational structure, and, with the objective of supporting the promotion of individual asset formation, established new Financial Literacy Support Departments at TSE and OSE. These departments conduct marketing geared at individual investors and are in charge of investment education. Also, to offer a greater range of opportunities for hedging and increase convenience through substantial expansion in the derivatives market, JPX established a new Derivatives Business Development Department at OSE. Through these initiatives to strengthen marketing functions, JPX has created a specialized organizational unit that can identify actual and latent needs of market participants, while adopting a thoroughgoing "Customer First" approach and aiming to become a company that responds quickly and agilely to the needs that customers express.



New departments

Engagement in Action

Compliance Learning Center

To provide opportunities for dialogue on compliance with market users, JPX-R has established the Compliance Learning Center (COMLEC) with the aim of improving and deepening understanding of compliance matters. COMLEC is working toward improvement of social awareness of compliance by providing support services for securities companies, listed companies, and other market users, as well as by explaining laws and regulations related to insider trading and other aspects of financial instruments trading.

The COMLEC Logo

The COMLEC logo embodies the ideas of 1) a new awareness of compliance germinating from a COMLEC that exudes fairness and 2) COMLEC opening the door to a new era in compliance.



Seminars

- Insider trading seminars for corporate compliance officers (39 seminars/year, total of approx. 2,100 attendees)
- Case study meetings pertaining to the expanded exemption for insider trading regulations (15 meetings, 5 locations nationwide, total of approx. 1,400 attendees)
- Seminar for inspection officers (held in April, approx. 150 attendees)

Dispatching expert speakers

- In-house trainings at listed companies and securities companies (555 trainings, total of approx. 31,000 participants)

Publications and e-learning services

- Publication and provision of documents on insider trading regulations and internal management at securities companies
- Provision of e-learning training program content

Engagement with Employees

Human resources are one of the most important corporate assets for enabling JPX to continue to increase its corporate value. Accordingly, JPX endeavors to create workplaces where working is easy and each and every employee can demonstrate his/her abilities.



Human Resources Development

JPX has created a working environment where employees can actively master specialized knowledge, access the latest information, and pursue free and creative thinking from a broad perspective. Concretely speaking, JPX has developed various training programs according to the employee's length of service and job responsibilities, including: career development training, where employees can enhance their knowledge and skills; skills development training, where employees can learn foreign languages and acquire specialized knowledge; and professional development training, where employees can obtain MBAs at overseas universities.



Promoting Diversity

In FY2013, JPX formed a Diversity Promotion Group within its Human Resources Department, which is implementing many initiatives to foster diversity of employees and draw on their capabilities to the fullest. For JPX, "promoting diversity" means for each and every employee to have mutual respect (receptivity and tolerance) for other employees with differing values and lifestyles (diversity), and thus individual employees can work energetically and create new value (innovation) that leads to organizational growth.

In this regard, the Diversity Promotion Group has worked to expand the support systems for childcare, elderly care, and women empowerment in the workplace since 2014, and beginning in FY2016, introduced working-style reforms for all employees. By remaining committed to these initiatives, JPX is working to develop a strong organizational base for future development.



Christina Ahmadjian, Outside Director,
giving speech to employees

Roles and Objectives of the Diversity Promotion Group

"For JPX Employees"

The Diversity Promotion Group maintains a working environment, where each and every employee can continue working and exerting an active role regardless of the individual's unique life plan, and supports communicative activities among employees.

"For Organizational Growth"

With the basic idea that the growth of individuals leads to the growth of the organization as a whole, the Diversity Promotion Group implements reforms in work styles, maintains our competitiveness as an organization, and creates an environment that is fertile ground for new ideas (innovation) to secure and multiply the time for individuals to grow even further.



Training session



Materials for Elderly Care Seminars

Improvements in Support Systems: Childbirth and Childcare Leave and Caregiver Support

JPX is working to enrich systems to support childbirth, parenting, and caregiving. These improvements are aimed at harnessing the desire to continue working by providing greater flexibility in working environments that cater to the needs of diverse values and lifestyles.

Even for employees whose time is limited by childcare and elderly care responsibilities, JPX is taking initiatives to create work environments where employees find it easy to work and can perform to their full potential.

Balancing Work and Childcare

JPX has launched systems for childcare leave, shortened work hours, and nursing sick children that are in excess of the legal minimums. In addition, since 2014, JPX has introduced expanded systems for supporting childcare, including flex-time, supplementary allowances for extended nursing care during and after sickness, and supplementary allowances for commuting expenses incurred when dropping off and picking up children from nurseries. In addition to these benefits, to make it possible for husbands to participate in housework and childcare, JPX has introduced a parental leave system as part of the paid-leave scheme.

Balancing Work and Elderly Care

JPX has launched systems for elderly care, including elderly care leave, time off for care, and shortened work hours that are in excess of the legal minimums. Time off for elderly care is available in one-day, half-day, and hourly slots. Since FY2014, JPX has been holding Elderly Care Seminars on an annual basis, where we offer support on balancing work and elderly care and provide information for employees with elderly family members, whose number is expected to increase in the years ahead. In this way, employees can continue working, and JPX can promote understanding of elderly care.

Outline of Childcare and Elderly Care Systems

	Category	Details
Support for childcare	Childcare leave	<ul style="list-style-type: none"> Available from the day following the end of maternity leave until the child turns 3
	Childcare time (shorter work hours)	<ul style="list-style-type: none"> Shorten work hours by 75 minutes maximum until child completes 3rd grade Available in 15-minute slots No pay reduction until child turns 14 months old
	Flex-time	<ul style="list-style-type: none"> Available until child completes 3rd grade Shiftable work hours between 7am and 7pm in 30-minute increments
	Restrictions on overtime	<ul style="list-style-type: none"> Available until child completes 3rd grade (over a period of 1–12 months)
	No overtime or work on holidays	<ul style="list-style-type: none"> Available until child completes 3rd grade
	Parental leave (short-term)	<ul style="list-style-type: none"> Until child turns 3, available multiple times throughout the year Minimum 5 days (10 days recommended) of paid leave (maximum 60 days/year by using unused paid leave from past 5 years)
	Childcare leave (illness)	<ul style="list-style-type: none"> 5 days paid leave per child until school age, 10 days for 2 or more children Available in 1-hour, half-day, and 1-day slots
Support for elderly care	Reimbursement and other programs	<ul style="list-style-type: none"> Subsidize half of costs for temporary use of childcare facilities for sick/recovering children; use of extended childcare services for children under 6 (maximum ¥20,000/month) Subsidize transportation expenses for taking preschool children to childcare facilities
	Elderly care leave (long-term)	<ul style="list-style-type: none"> When a member of the family has been deemed to need care, the employee may take leave once for a maximum of one year
	Time off for elderly care (shorter working hours)	<ul style="list-style-type: none"> Shortening of work day by 75 minutes for a maximum of one year
	Elderly care leave (short-term)	<ul style="list-style-type: none"> When a member of the family is deemed to need care, five days; in the case of 2 or more family members needing care, a total of 10 days can be allotted Employees may also take off 60 days maximum of previously unused paid leave (available in 1-hour, half-day, and 1-day slots)



Luncheon meeting for female managers

Female Empowerment

Starting in FY2014, JPX has launched a number of initiatives for promoting the empowerment of women in the workplace, including women's career training and exchanges of opinion between users of the childcare system and their supervisors. As of FY2016, JPX is scheduled to begin management training that will go beyond improving the skills of female employees and go on to improve understanding by male supervisors, thereby fully utilizing and facilitating the career progression of female employees. JPX will continue to implement measures for JPX to transform into an organizational base for sustainable growth regardless of gender.

Work Life Reforms

Through the implementation of Work Life Reforms starting in 2016, JPX aims to address interpersonal issues and environmental changes within and outside the company while focusing on efficiency in our business operations and improving productivity to a) encourage active participation by employees with diverse life plans and b) secure the necessary human resources over the long term.

Diverse Vacation Systems and Encouraging the Use of Paid Leave

In addition to a paid vacation system that allows employees to take time off in hourly units, JPX offers a range of ways to take time off to enable employees to refresh themselves, study to improve their knowledge and skills, and contribute to the community.

JPX has set a quantitative target across the Group for annual paid leave usage of 70% by FY2018, which is 54% at present. JPX is recommending and notifying employees on the best terms to use this time, namely around Golden Week (late April–early May) and during summer and winter vacation, to promote increased usage of paid leave.



JPX family day

Introduction of a Diverse Leave System

As of FY2016, JPX has started offering a system for leave to accompany a spouse in case of overseas transfers or study abroad to prevent talented employees from leaving their jobs and to support them in staying with the company. JPX has also instated a Professional Development Leave System that grants leave to employees who wish to obtain additional professional skills and knowledge by attending graduate schools overseas.

Engagement in Action



JPX CEO Akira Kiyota calls on all staff to demonstrate creativity and create a workplace where men and women can contribute actively.

Furthering the Careers of Female Employees

JPX has set a target of 6% female employees in managerial positions by FY2018 (compared to 4.5% as of Apr. 2016). To date, JPX has promoted employees based on merit irrespective of gender. However, to provide an environment where all employees can advance in their careers based on their own life plans, beginning in FY2016, JPX will implement group-wide work style reforms.



Former employees re-joining JPX receive orientation.

System for Re-Employment of Retirees

Beginning in FY2016, JPX introduced a Re-Employment System for employees who have left JPX for various reasons related to their life and career plans to offer them an opportunity to contribute to the Group by harnessing their capabilities.

Diversification of Re-Employment Systems

JPX has introduced the option of part-time employment for persons who have reached retirement age. This option enables employees to place more emphasis on work-life balance, and allows JPX to keep talented and experienced employees.

Employment of the Handicapped

JPX adheres to the principle of "Competency (harnessing employee potential)". Thus, in addition to promoting the utilization of women and those of advanced age in the workplace, JPX also provides employment opportunities to the disabled in posts that are suited to the person's individual ability and aptitude.



Employee Safety and Health

Establishment of a Harassment Hotline

JPX pays close attention to individual rights and safety in the workplace and strives to create an environment conducive for work that is free of discrimination and harassment to allow employees to realize their potential. This is one of the key tenets in the JPX Charter of Corporate Behavior.

Mental Health

JPX has made telephone and in-person counseling available to help employees maintain their physical and mental wellbeing. Since April 2010, in addition to industry physicians, JPX has drawn on the expertise of mental health specialists as advisors.

Safety and Health Initiatives

JPX holds monthly meetings of its Health and Sanitation Committee based on Japan's Industrial Safety and Health Act. The Committee is comprised of staff responsible for managing health and safety matters, company doctors, and employees.

Engagement in Action



Guests touring the Kitahama, Osaka office

Activities to Spark Communication

JPX hosts tours of its Tokyo and Osaka offices for employees' families and holds in-company events to improve communication among and mutual understanding between employees and their families.

The Environment and Regional Communities

JPX aims to contribute toward the realization of a sustainable society and actively implements initiatives to reduce its environmental footprint. JPX also takes steps to raise environmental awareness among its employees through activities such as tree planting and community cleanup programs. In addition, JPX actively participates in events to give back to local communities that provide it with invaluable support on a day-to-day basis.



Contributing to the Environment Reducing Our Environmental Footprint

As part of its activities to reduce its environmental footprint, JPX is cutting down its power consumption for lighting, air conditioning, and other purposes.

For example, energy consumption in the TSE Building, where the company's head office is located, is falling. This decline can be attributed to the goal set by Japan's securities industry in 2008 to reduce power use by 12% by FY2012 as compared to FY2002 in line with the Kyoto Protocol, as well as new equipment and efforts at JPX to increase environmental awareness among its employees. Carrying on from its efforts in the previous year, in FY2015, JPX renewed its air-conditioning equipment and replaced existing lighting devices with LED lamps. Other measures included reducing the number of lights in common areas and turning them off in the office during lunch. As a result of these measures, overall power consumption in the TSE Building decreased 3.9% from the previous fiscal year.

Overall power consumption across the JPX Group, including its data centers, is also declining with upgrades to new, highly energy-efficient equipment despite enlarging the facilities and equipment necessary for enhancing backup systems. Going forward, JPX will work to strengthen the environmental management systems of the JPX Group as a whole and take initiatives to reduce its environmental footprint to contribute to the creation of a sustainable society.

Forest Preservation and TSE Listings

In June 2004, an area of about five hectares in Yurihonjo City, Akita Prefecture, was set aside for preservation as the "TSE Listing Forest". This was done with the hope that the exchange market will grow and prosper along with the growth of newly planted saplings.

Alongside this initiative, JPX holds classes entitled "Our Livelihood and Stock Corporations" in nearby elementary schools that cooperate in its forest preservation activities. In 2015, JPX held the JPX Entrepreneur Experience Program in the prefecture's Nishime High School, thus deepening JPX's relationships with the local community.



Contributing to Regional Communities

Every year, JPX participates in "Chuo City Marugoto Museum" (literally, all of Chuo City is a museum) to make the city that is home to TSE a living museum. For the event, JPX sponsors original products bearing the company logo as prizes for lucky draws.

JPX's other contributions to the regional community include participating in cleanup programs in Tokyo's Kabutocho district and along the Sakai-suji street in Osaka's Kitahama district.



Cleanup campaign in Kabutocho, home of the TSE



"All of Chuo City Is a Museum" event

Corporate Data: Environment and Employees

Energy Consumption at the TSE Building (electricity and gas)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Energy consumption at the TSE Building											
Total usage											
Electricity (kwh)	8,207,656	8,127,304	8,338,920	8,132,632	7,921,216	7,435,466	6,079,696	6,272,280	6,413,800	6,135,360	5,899,040
Yearly change	—	(80,352)	211,616	(206,288)	(211,416)	(485,750)	(1,355,770)	192,584	141,520	(278,440)	(236,320)
City gas (m ³)	344,276	318,860	359,636	349,994	343,707	362,622	319,200	341,276	304,248	300,295	306,467
Yearly change	—	(25,416)	40,776	(9,642)	(6,287)	18,915	(43,422)	22,076	(37,028)	(3,953)	6,172
Per capita											
Electricity (kwh)	11,274	11,013	10,901	10,078	9,660	9,214	7,686	7,715	7,297	7,044	6,989
Yearly change	—	(262)	(112)	(823)	(418)	(446)	(1,528)	29	(418)	(253)	(55)
City gas (m ³)	473	432	470	434	419	449	404	420	346	344	363
Yearly change	—	(41)	38	(36)	(15)	30	(46)	29	(418)	(2)	19
Emissions of greenhouse gases from the TSE Building											
Total emissions											
CO ₂ t-CO ₂	3,962	3,873	4,048	3,943	3,848	3,631	3,020	3,143	3,114	3,001 (3,670)	3,542
Yearly change	—	(89)	175	(105)	(95)	(217)	(611)	123	(29)	(113)	(128)
Per capita											
CO ₂ t-CO ₂	5.44	5.25	5.29	4.89	4.69	4.5	3.82	3.87	3.54	3.44 (4.21)	4.19
Yearly change	—	(0.19)	0.04	(0.41)	(0.19)	(0.19)	(0.68)	0.05	(0.32)	(0.1)	(0.02)

* The volume of greenhouse gas emissions is calculated according to the method specified in the Tokyo Carbon Reduction Reporting Program issued in the Tokyo Metropolitan Environmental Security Ordinance. Figures in parentheses for gas emissions in FY2014 were calculated based on the emission standards for the second compliance period covering FY2015 through FY2019.

Employees¹

		FY2013	FY2014	FY2015
Employees by gender (persons)	All employees	1,029	1,001	975
	Male	742	728	716
	Ratio (%)	72.1	72.7	73.4
	Female	287	273	259
	Ratio (%)	27.9	27.3	26.5
Average years of service	All employees	17.1	17.3	16.7
	Male	15.6	15.9	15.5
	Female	21.1	21.0	20.2
Female employees in managerial positions	Employees in managerial positions	351	350	336
	Female	11	13	15
	Ratio (%)	3.1	3.7	4.5 ²
Females and foreigners among new hires	New hires	17	12	20
	Females and foreigners	6	3	10
Ratio of annual paid leave taken (%)		46.6	49.9	53.7
Male employees taking time off for childcare (including childcare leave) (persons)		1	8	10
Female employees returning to work after maternity leave (%)		100	94.1	100

Notes: 1. Definition of the JPX Group employees

Data is for the four main JPX companies: Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., and Japan Exchange Regulation (excluding employees seconded to JPX and contract staff).

2. Figures as of April 1, 2016

Review of Operations and Financial Condition

Financial Highlights of FY2015 (IFRS)

	FY2013	FY2014	(Millions of yen)	
			FY2015	
			Year-on-year	
Operating Revenue	113,846	106,167	114,776	8%
Operating Expenses	59,244	52,863	50,925	(4%)
Operating Income	53,343	53,529	66,271	24%
Net Income ¹	33,304	34,427	44,877	30%
EBITDA	68,296	65,743	77,791	
Dividends per Share ² (yen)	21.5	25.0	50.0	
ROE	17.1%	15.6%	18.2%	

Notes: 1. Net income attributable to owners of the parent company

2. Figures take account of a 5-for-1 stock split conducted with an effective date of October 1, 2013 and a 2-for-1 stock split conducted with an effective date of October 1, 2015.

Average Daily Trading Value/Volume of Main Products

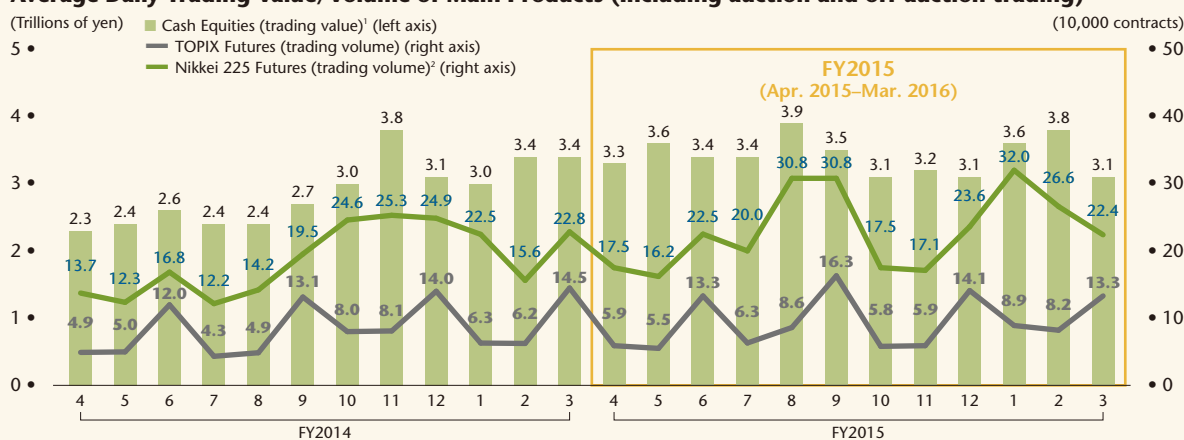
	FY2013	FY2014	FY2015	
			Year-on-year	
Cash Equities (trading value) ¹	¥3,098.8 billion	¥2,856.4 billion	¥3,412.6 billion	19%
TOPIX Futures (trading volume)	94,297 contracts	84,785 contracts	93,824 contracts	11%
Nikkei 225 Futures ² (trading volume)	218,619 contracts	186,565 contracts	230,435 contracts	24%
Nikkei 225 Options ³ (trading value)	¥40.0 billion	¥27.8 billion	¥30.7 billion	10%
10-year JGB Futures (trading volume)	34,975 contracts	36,745 contracts	34,658 contracts	(6%)

Notes: 1. Average daily trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in the auction and off-auction trading.

2. Including trading volume of Nikkei 225 mini, which are calculated using a conversion factor of 1/10.

3. Excluding weekly options

Average Daily Trading Value/Volume of Main Products (Including auction and off-auction trading)



Notes: 1. Average daily trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc. in the auction and off-auction trading.

2. Including trading volume of Nikkei 225 mini, which are calculated using a conversion factor of 1/10.

Adoption of IFRS

JPX has adopted the International Financial Reporting Standards (IFRS) to facilitate comparisons of financial results of JPX with those of other

exchanges located overseas and to increase investor convenience.

Summary of Performance

In the early period of this fiscal year, the stock market in Japan was strong, with TOPIX reaching 1,691.29 points in August 2015 (up 148.18 points from the end of March 2015) on the back of the gradual recovery of the Japanese economy, as evidenced by improvements in corporate earnings and employment conditions among other aspects. Later, however, there emerged a view that a stronger yen would have a negative impact on corporate performance, particularly on export industries, as the risk-off trend among investors globally became evident due to factors such as the slowdown in the growth of the Chinese economy and stagnation in emerging economies caused by declining natural resource prices. As a result, market conditions became unstable, with TOPIX declining to 1,347.20 points at the end of March 2016 (down 195.91 points from the end of March 2015).

Under such circumstances, the JPX Group channeled its energies into achieving its core strategies and initiatives: 1) creation of a new Japanese stock market, 2) expansion of the derivatives market, 3) expansion of exchange business fields, 4) growing our presence in Asia, and 5) early realization of integration benefits in the final year of the 1st Medium-Term Management Plan (FY2013–FY2015).

The consolidated financial results of the JPX Group during the fiscal year ended March 31, 2016 included operating revenue of ¥114,776 million (up 8.1% year-on-year), operating expenses of ¥50,925 million (down 3.7% year-on-year), operating income of ¥66,271 million (up 23.8% year-on-year), and net income attributable to owners of the parent company of ¥44,877 million (up 30.4% year-on-year).

Consolidated Statement of Income

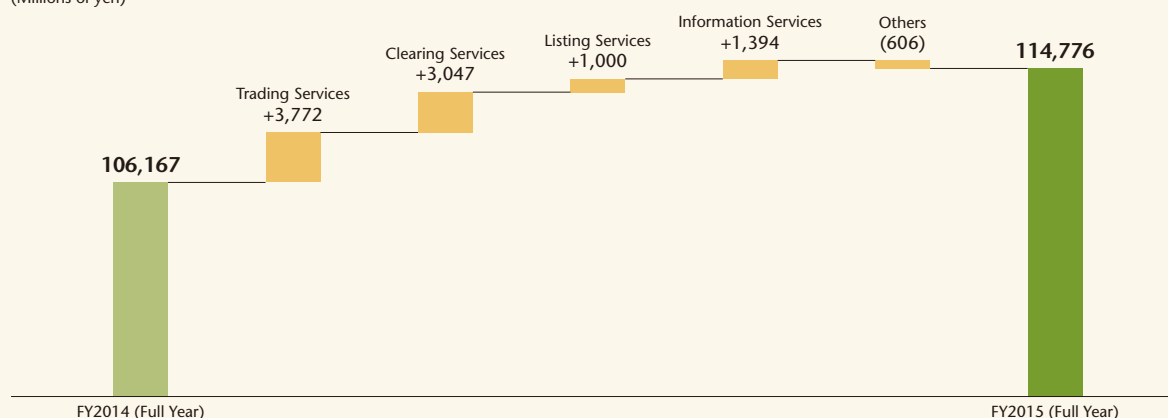
■ Operating Revenue

Operating revenue in FY2015 rose 8.1% year-on-year to ¥114,776 million. This was due to increases in cash equity trading value and derivatives trading

volume, both of which were at historically high levels.

Operating Revenue

(Millions of yen)



Operating Revenue

	FY2014 (Apr. 1, 2014–Mar. 31, 2015)		FY2015 (Apr. 1, 2015–Mar. 31, 2016)		
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Year-on-year
Trading Services Revenue	48,698	45.9%	52,471	45.7%	7.7%
Transaction Fees	40,221		43,294		7.6%
Cash Equities	28,705	71.4% ¹	30,783	71.1% ¹	7.2%
Derivatives	11,515	28.6% ¹	12,510	28.9% ¹	8.6%
TOPIX Futures	1,816		1,934		6.5%
Nikkei 225 Futures (incl. Nikkei 225 mini)	4,382		5,136		17.2%
Nikkei 225 Options	3,374		3,543		5.0%
10-year JGB Futures	1,679		1,597		(4.9%)
Others	261		298		14.0%
Basic Fees	1,067		1,061		(0.6%)
Access Fees	4,730		5,165		9.2%
Trading System Facilities Usage Fees	2,600		2,854		9.8%
Others	79		95		20.3%
Clearing Services Revenue	20,092	18.9%	23,140	20.2%	15.2%
Listing Services Revenue	12,249	11.5%	13,250	11.5%	8.2%
Initial/Additional Listing Fees	4,762		5,330		11.9%
Annual Listing Fees	7,486		7,919		5.8%
Information Services Revenue	16,311	15.4%	17,706	15.4%	8.6%
Other Operating Revenue	8,815	8.3%	8,208	7.2%	(6.9%)
Total	106,167	100.0%	114,776	100.0%	8.1%

Note: 1. Figures indicate percentage of Transaction Fees.

Reference: Major Stock Indexes

	FY2014 (Apr. 1, 2014–Mar. 31, 2015)		FY2015 (Apr. 1, 2015–Mar. 31, 2016)	
	As of Mar. 31, 2015		As of Mar. 31, 2016	
TOPIX	1,132.76 points–1,592.25 points	1,543.11 points	1,196.28 points–1,691.29 points	1,347.20 points
Nikkei 225	¥13,910.16–¥19,754.36	¥19,206.99	¥14,952.61–¥20,868.03	¥16,758.67
JPX-Nikkei 400	10,314.83 points–14,475.35 points	14,022.96 points	10,780.40 points–15,251.93 points	12,161.79 points

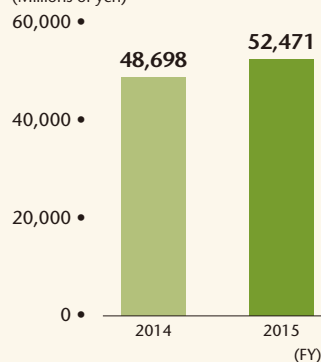
1. Trading services revenue

Trading services revenue comprises Transaction Fees based on the value of securities traded or volume of derivatives traded, Basic Fees based on the types of the trading participant's trading qualification, 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, 2016, trading services revenue increased 7.7% year-on-year to ¥52,471 million due to increases in trading of cash equities and derivatives.

Trading Services Revenue

(Millions of yen)



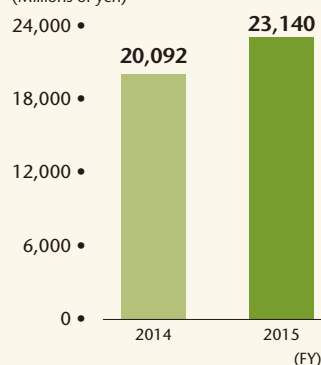
2. Clearing services revenue

Clearing services revenue comprises clearing fees related to the assumption of obligations of financial instrument transactions carried out by JSCC.

During the fiscal year ended March 31, 2016, clearing services revenue increased 15.2% year-on-year to ¥23,140 million due to increases in trading of cash equities and derivatives, which are the main clearing product segments.

Clearing Services Revenue

(Millions of yen)



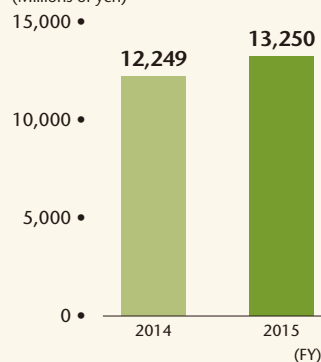
3. Listing services revenue

Listing services revenue comprises Initial/Additional Listing Fees that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and Annual Listing Fees received from listed companies based on their market capitalization.

During the fiscal year ended March 31, 2016, listing services revenue increased 8.2% year-on-year to ¥13,250 million due to increases in initial/additional listing fees and annual listing fees.

Listing Services Revenue

(Millions of yen)



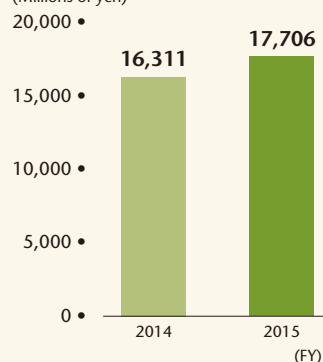
4. Information services revenue

Information services revenue comprises revenue related to the provision of market information to information vendors, etc. (market information fees), revenue related to the index business, and revenue related to the provision of corporate action information and other information.

During the fiscal year ended March 31, 2016, information services revenue increased 8.6% year-on-year to ¥17,706 million due mainly to an increase in market information fees and an increase in index business revenue.

Information Services Revenue

(Millions of yen)



5. Other operating revenue

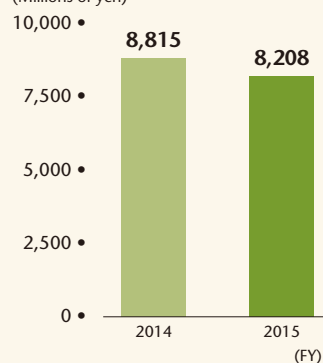
Other operating revenue includes the following main items:

- Usage fees for arrownet, which connects trading, market information, and other systems to trading participants and other users;
- Usage fees related to co-location services that allow trading participants, information vendors, and other users to install devices in the system center for the purpose of improving trade execution efficiency by shortening order transmission time, etc.; and
- Revenue from system development and operations conducted by consolidated subsidiary TOSHO SYSTEM SERVICE CO., LTD.

During the fiscal year ended March 31, 2016, other operating revenue decreased 6.9% year-on-year to ¥8,208 million due mainly to a decrease in revenue from system development and operations.

Other Operating Revenue

(Millions of yen)



■ Operating Expenses

During the fiscal year ended March 31, 2016, operating expenses decreased 3.7% year-on-year to ¥50,925 million. Among these, personnel expenses increased 7.7% year-on-year to ¥16,437 million.

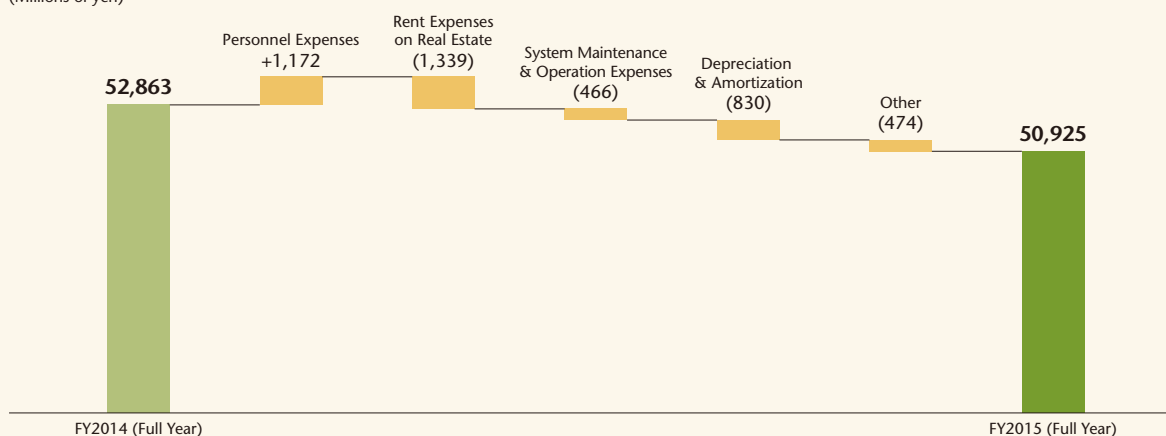
System maintenance and operation expenses include expenses related to maintenance and management/operations of various systems including the cash equity and derivatives trading systems. During the fiscal year ended March 31, 2016, system maintenance and operation expenses decreased 4.7% year-on-year to ¥9,480 million due mainly to the integration of clearing systems and networks.

Depreciation and amortization decreased 7.7% year-on-year to ¥9,973 million due mainly to the end of the 5-year period for depreciation and amortization of the initial investment in the arrowhead cash equity trading system in the previous fiscal year.

During the fiscal year ended March 31, 2016, other operating expenses decreased 10.8% year-on-year to ¥15,034 million due mainly to lower rent for the Tokyo Stock Exchange building and reductions in other expenses.

Operating Expenses

(Millions of yen)



Operating Expenses

	(Millions of yen)	
	FY2014 (Apr. 1, 2014–Mar. 31, 2015)	FY2015 (Apr. 1, 2015–Mar. 31, 2016)
Personnel Expenses	15,265	16,437
System Maintenance and Operation Expenses	9,947	9,480
Depreciation and Amortization	10,803	9,973
Rent Expenses on Real Estate	5,959	4,620
Other	10,888	10,414
Total	52,863	50,925

Basic Policy for Allocation of Profit

JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:

- Maintaining sound financial health as a financial instruments exchange group,
- Preparing for risks as a clearing organization, and

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

In line with the policy, the dividends for the fiscal year ending March 31, 2017 are planned to be ¥42 per share (¥21 per share as of the end of the second quarter).

Consolidated Statement of Financial Position (IFRS)

(Millions of yen)			(Millions of yen)		
	As of March 31, 2015	As of March 31, 2016		As of March 31, 2015	As of March 31, 2016
Assets			Liabilities and equity		
Current assets			Liabilities		
Cash and cash equivalents	60,114	66,547	Current liabilities		
Trade and other receivables	10,300	10,096	Trade and other payables	4,712	4,413
1 Clearing business financial assets	25,635,085	26,395,558	Loans payable	32,500	22,500
2 Specified assets for deposits from clearing participants	1,795,095	2,809,433	1 Clearing business financial liabilities	25,635,085	26,395,558
3 Specified assets for legal guarantee funds	492	483	2 Deposits from clearing participants	1,795,095	2,809,433
Income tax receivables	4,693	5,055	3 Legal guarantee funds	492	483
Other financial assets	42,869	65,600	4 Trading participant security money	7,437	7,429
Other current assets	1,844	1,163	Income tax payables	7,852	10,714
Total current assets	27,550,495	29,353,939	Other current liabilities	5,626	6,403
Non-current assets			Total current liabilities	27,488,802	29,256,937
Property and equipment	8,573	6,025	Non-current liabilities		
Goodwill	67,374	67,374	Loans payable	—	10,000
Intangible assets	27,631	31,033	Retirement benefit liabilities	7,039	7,352
Retirement benefit assets	5,424	3,626	Other non-current liabilities	2,488	3,924
Investments accounted for using the equity method	6,806	7,592	Deferred tax liabilities	6,875	5,650
5 Specified assets for default compensation reserve funds	27,948	27,948	Total non-current liabilities	16,403	26,926
Other financial assets	39,682	38,639	Total liabilities	27,505,206	29,283,864
Other non-current assets	5,605	5,854	Equity		
Deferred tax assets	7,230	4,741	Share capital	11,500	11,500
Total non-current assets	196,276	192,836	Capital surplus	59,726	59,726
Total assets			Treasury shares	(5)	(9)
27,746,771	29,546,776		Other components of equity	14,828	13,321
			6 Retained earnings	149,562	172,656
			Total equity attributable to owners of the parent company	235,611	257,194
			Non-controlling interests	5,954	5,717
			Total equity	241,565	262,912
			Total liabilities and equity	27,746,771	29,546,776

- 1 The clearing business financial assets/liabilities pertaining to derivative transactions, etc. as of the term end of Japan Securities Clearing Corporation (JSCC), the financial instruments clearing organization.
- 2 Collateral that JSCC requires clearing participants to deposit to cover any loss JSCC incurs in the event a clearing participant defaults.
- 3 Collateral that TSE and OSE requires trading participants to deposit to cover any loss incurred by an entrustor of securities trading, etc. in the event a trading participant defaults.
- 4 Collateral that TSE and OSE requires trading participants to deposit to cover any loss TSE and OSE incur in the event a trading participant defaults.
- 5 Reserve funds to cover losses resulting from the clearing business.
- 6 This figure includes the amount of reserve funds in the above 5.

Consolidated Statement of Income/Consolidated Statement of Comprehensive Income (IFRS)

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue		
Operating revenue	106,167	114,776
Other revenue	318	2,137
Total revenue	106,486	116,914
Expenses		
Operating expenses	52,863	50,925
Other expenses	610	466
Total expenses	53,473	51,392
Share of income of investments accounted for using the equity method	516	749
Operating income	53,529	66,271
Financial income	1,400	1,540
Financial expenses	41	36
Income before income tax	54,887	67,774
Income tax expense	20,171	22,599
Net income	34,716	45,175
Net income attributable to		
Owners of the parent company	34,427	44,877
Non-controlling interests	288	297
Net income	34,716	45,175
Earnings per share		
Basic (Yen)	62.70	81.74
Diluted (Yen)	—	—

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income	34,716	45,175
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	5,631	(1,491)
Remeasurements of defined benefit plan	803	(1,484)
Share of other comprehensive income of investments accounted for using the equity method	(0)	0
Other comprehensive income, net of tax	6,435	(2,975)
Comprehensive income	41,152	42,199
Comprehensive income attributable to		
Owners of the parent company	40,863	41,902
Non-controlling interests	288	297
Comprehensive income	41,152	42,199

Consolidated Statement of Changes in Equity (IFRS)

(Millions of yen)

	Equity attributable to owners of the parent company				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan
Balance as of April 1, 2014	11,500	59,726	(5)	9,225	—
Net income	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	5,631	803
Total comprehensive income	—	—	—	5,631	803
Dividends paid	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(29)	(803)
Total transactions with the owners	—	—	—	(29)	(803)
Balance as of March 31, 2015	11,500	59,726	(5)	14,828	—
Net income	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(1,491)	(1,484)
Total comprehensive income	—	—	—	(1,491)	(1,484)
Acquisitions of treasury shares	—	—	(3)	—	—
Dividends paid	—	—	—	—	—
Changes of interests in subsidiaries without losing control	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(15)	1,484
Total transactions with the owners	—	—	(3)	(15)	1,484
Balance as of March 31, 2016	11,500	59,726	(9)	13,321	—

(Millions of yen)

	Equity attributable to owners of the parent company				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
	Total				
Balance as of April 1, 2014	9,225	126,655	207,101	5,675	212,777
Net income	—	34,427	34,427	288	34,716
Other comprehensive income, net of tax	6,435	—	6,435	—	6,435
Total comprehensive income	6,435	34,427	40,863	288	41,152
Dividends paid	—	(12,353)	(12,353)	(10)	(12,364)
Transfer from other components of equity to retained earnings	(832)	832	—	—	—
Total transactions with the owners	(832)	(11,521)	(12,353)	(10)	(12,364)
Balance as of March 31, 2015	14,828	149,562	235,611	5,954	241,565
Net income	—	44,877	44,877	297	45,175
Other comprehensive income, net of tax	(2,975)	—	(2,975)	—	(2,975)
Total comprehensive income	(2,975)	44,877	41,902	297	42,199
Acquisitions of treasury shares	—	—	(3)	—	(3)
Dividends paid	—	(20,315)	(20,315)	(8)	(20,324)
Changes of interests in subsidiaries without losing control	—	—	—	(525)	(525)
Transfer from other components of equity to retained earnings	1,468	(1,468)	—	—	—
Total transactions with the owners	1,468	(21,784)	(20,319)	(534)	(20,853)
Balance as of March 31, 2016	13,321	172,656	257,194	5,717	262,912

Consolidated Statement of Cash Flows (IFRS)

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Income before income tax	54,887	67,774
Depreciation and amortization	11,365	10,727
Impairment losses (or reversal of impairment losses)	301	—
Financial income	(1,400)	(1,540)
Financial expenses	41	36
Share of income of investments accounted for using the equity method	(516)	(749)
Gains on sale of property and equipment	—	(1,853)
(Increase) decrease in trade and other receivables	(1,219)	203
Increase (decrease) in trade and other payables	(327)	210
(Increase) decrease in retirement benefit assets	(1,694)	1,797
Increase (decrease) in retirement benefit liabilities	321	313
Other	5,080	(247)
Subtotal	66,840	76,673
Interest and dividends received	1,563	1,678
Interest paid	(42)	(38)
Income taxes paid	(31,015)	(17,243)
Cash flows generated from operating activities	37,346	61,069
Cash flows from investing activities		
Payments into time deposits	(65,100)	(70,600)
Proceeds from withdrawal of time deposits	76,100	47,100
Purchase of property and equipment	(3,623)	(1,624)
Proceeds from sale of property and equipment	2	3,660
Purchase of intangible assets	(13,232)	(11,934)
Purchase of investment securities	—	(1,000)
Other	290	807
Cash flows generated from (used in) investing activities	(5,563)	(33,591)
Cash flows from financing activities		
Proceeds from loans payable	—	10,000
Repayments of loans payable	(10,000)	(10,000)
Dividends paid	(12,353)	(20,315)
Other	(10)	(715)
Cash flows used in financing activities	(22,364)	(21,030)
Net increase (decrease) in cash and cash equivalents	9,418	6,447
Cash and cash equivalents at the beginning of the year	50,713	60,114
Effect of changes in exchange rate on cash and cash equivalents	(17)	(13)
Cash and cash equivalents at the end of the year	60,114	66,547

Corporate Information/Major Group Companies/ Stock Information

(As of March 31, 2016)

Corporate Information

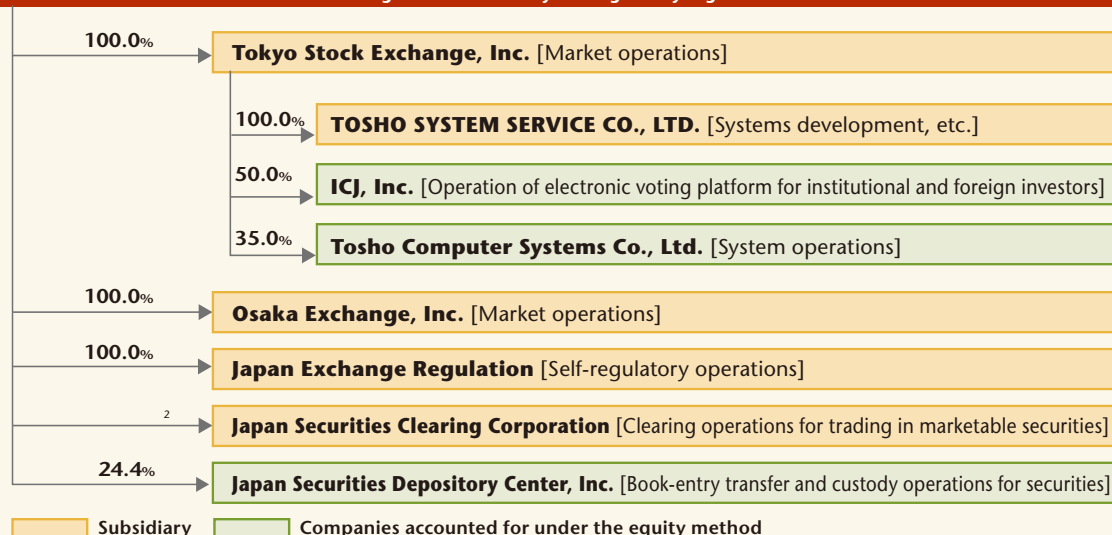
Company Name:	Japan Exchange Group, Inc.	Number of Employees: 1,088 (Consolidated)	
Number of Directors:	13 directors, 7 executive officers (As of July 26, 2016)	Breakdown: Japan Exchange Group, Inc.	208
		Tokyo Stock Exchange, Inc.	408
Location of Head Office:	2-1 Nihombashi-kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan	Osaka Exchange, Inc.	135
		Japan Exchange Regulation	189
Foundation:	April 1, 1949	Other consolidated subsidiaries	148
Amount of Capital:	¥11,500 million	Business Description: Management of financial instruments exchanges and other business incidental thereto	

Information Regarding Corporate Group

The JPX Group comprises five subsidiaries and three companies accounted for under the equity method, and its primary operations are the provision and operation of markets for exchange-traded financial instruments. Specifically, these include operations such as (i) providing

market facilities for securities trading, securities index futures trading, and securities options trading, (ii) publicizing market quotations and ensuring fairness of securities trading, and (iii) providing financial instruments obligation assumption services.

Japan Exchange Group, Inc. Management and administration of subsidiary financial instruments exchanges and a subsidiary self-regulatory organization



Notes: 1. Percentages indicate share of voting rights.

2. Class A shares: 99.2% / Class B shares: 100.0% / Class C shares: 58.2% / Class D shares: 52.9%

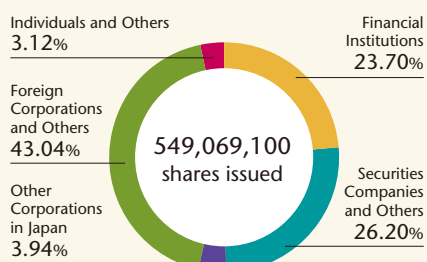
Stock Information

Stock Code: 8697	Number of Shares per Share Unit: 100 shares
Listed Market: Tokyo Stock Exchange (1st Section)	Number of Shares:
Business Year: From April 1 to March 31	Total number of shares authorized to be issued: 2,180,000,000 shares
Annual General Shareholders Meeting: In June	Total number of shares issued: 549,069,100 shares
Record Date: Annual General Shareholders Meeting	Number of Shareholders: 30,748
Year-end dividend	March 31
Interim dividend	September 30

Note: Accompanying a 2-for-1 stock split conducted on October 1, 2015, the number of issued shares increased by 274,534,550.

JPX's Shareholders

Distribution of Shareholders

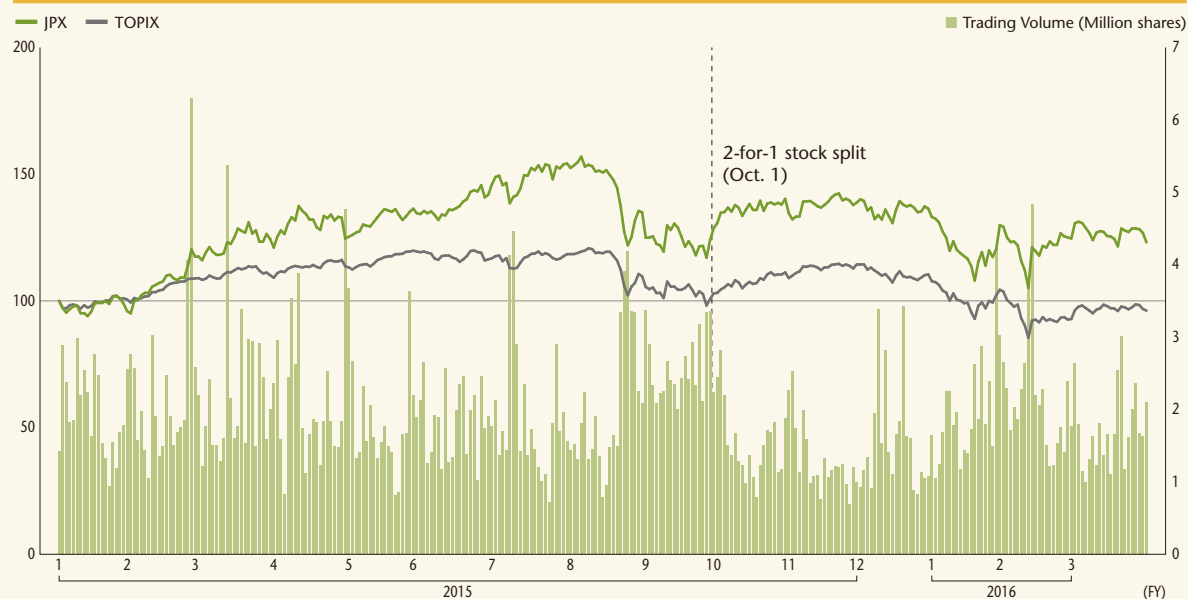


Major Shareholders

	No. of Shares Held (thousands)	Shareholding Ratio (%)
STATE STREET BANK AND TRUST COMPANY	22,060	4.02
Japan Trustee Services Bank, Ltd. (Trust Account)	17,138	3.12
SMBC Friend Securities Co., Ltd.	15,114	2.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,793	2.51
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	9,014	1.64
Mizuho Securities Co., Ltd.	8,657	1.58
STATE STREET BANK WEST CLIENT – TREATY 505234	7,968	1.45
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,557	1.38
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,553	1.38
THE CHASE MANHATTAN BANK 385036	7,125	1.30

Note: Shareholding ratios are calculated after deducting treasury shares (7,252 shares).

JPX Stock Price (Rebased to 100 on January 5, 2015)



Note: 1. The Company conducted a 2-for-1 stock split with an effective date of October 1, 2015. Stock prices and trading amounts prior to the stock split have been recalculated using stock prices and trading amounts after the stock split.

Website

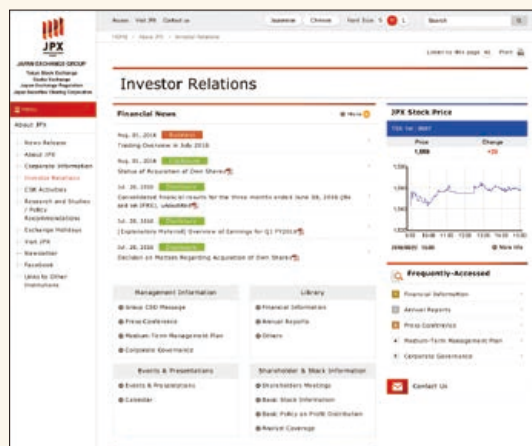
For further details, please access our website.



About JPX

<http://www.jpx.co.jp/> (Japanese)

<http://www.jpx.co.jp/english/> (English)



Investor Relations

<http://www.jpx.co.jp/corporate/investor-relations/index.html> (Japanese)

<http://www.jpx.co.jp/english/corporate/investor-relations/index.html> (English)



About JPX Logo

The logo expresses our aspirations toward dynamic and international growth in our ambition to become Asia's No. 1 market.

The four rising bars represent the 4 C's of our creed—adopting a “Customer First” approach of prioritizing customer needs, building “Credibility” and public confidence, pursuing “Creativity” in innovative solutions, and achieving “Competency” by harnessing employee potential.



JAPAN EXCHANGE GROUP

TOKYO STOCK EXCHANGE
JAPAN EXCHANGE REGULATION
OSAKA EXCHANGE
JAPAN SECURITIES CLEARING CORPORATION

JAPAN EXCHANGE GROUP, INC.

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