



JPX Report 2014

JAPAN EXCHANGE GROUP, INC.



Your Exchange of Choice

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Aiming to Increase Corporate Value

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A large, weathered brass bell hangs from a dark metal frame. The bell is the central focus, showing signs of age and use. The background is a blurred interior of a modern building with glass railings and a curved ceiling. The text "It starts here" is overlaid in white, sans-serif font across the middle of the image.

It starts here

Corporate Philosophy

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 enhance the support and confidence of investors and market users and bring reward in the form of the profits.

Our Role

Toward sustainable market development and greater affluence

Companies

Offer flexible fund-raising options

Investors

Provide opportunities for efficient asset management

Society

Provide the price discovery function

Serve as an economic barometer

Japan Exchange Group operates exchange markets that foster trust and confidence. Providing companies with flexible fund-raising options and investors with opportunities for efficient asset management, our markets also serve society as a barometer of the Japanese economy.

In fulfilling our social role, we nurture the sustainable development of the market and contribute to greater affluence in society.

Market Highlights

Average Daily Trading Value of Stocks¹

¥2.9 trillion
(year on year +88.8%)

Derivatives Contracts

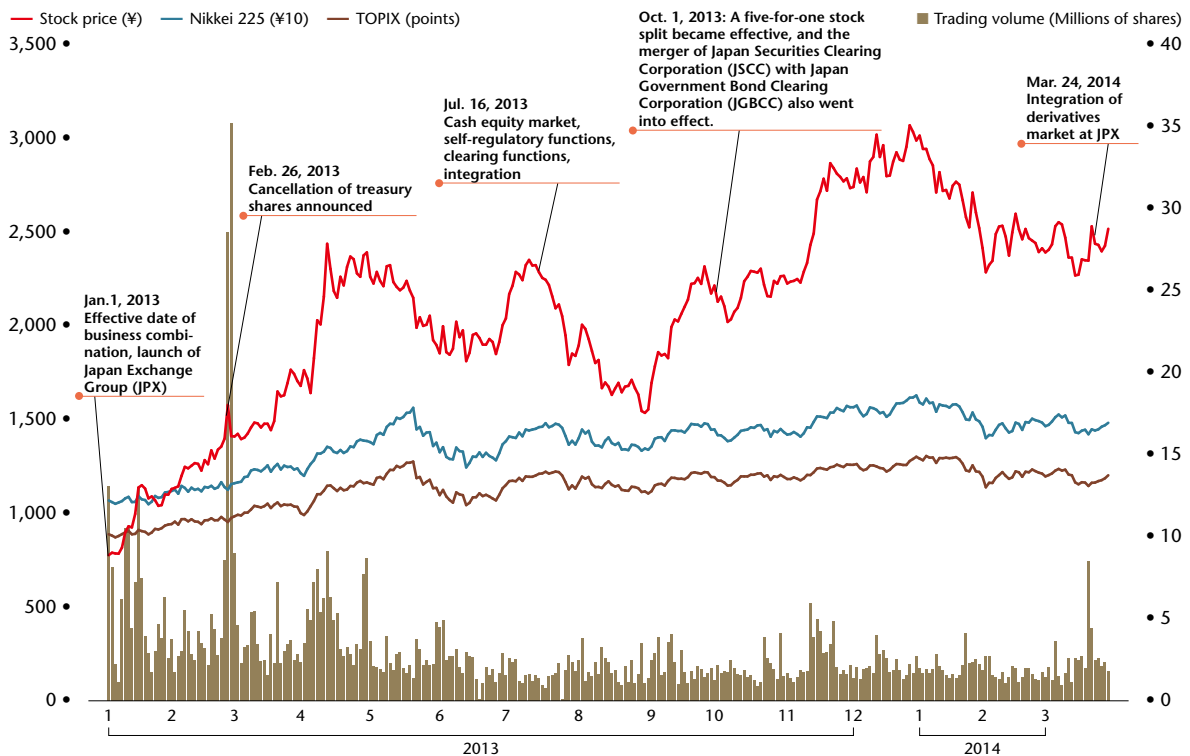
355 million
(year on year +32.8%)

IPOs in Japan

57 companies
(year on year +5.6%)

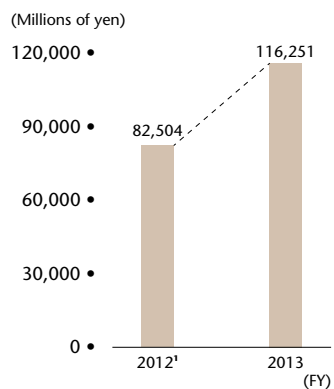
Note: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ and TOKYO PRO Market

Trends in JPX's Stock Price since Its Founding (January 2013 to March 31, 2014)

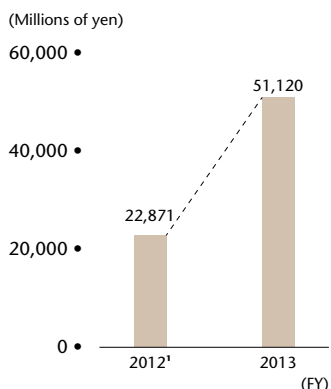


Note: Listed on both the TSE 1st Section and JASDAQ from January 1 to July 15, 2013. Stock prices above are those on the TSE 1st Section. Trading volumes above are the total of those on the TSE 1st Section and JASDAQ. Due to a 5-for-1 stock split effective on October 1, 2013, the stock prices from January to September 2013 are calculated as 1/5.

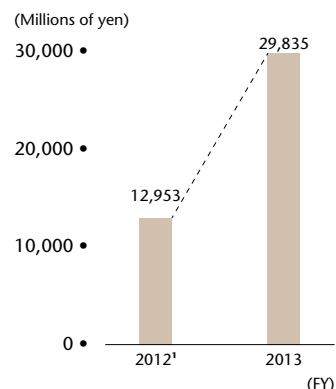
Operating Revenue **¥116,251** million



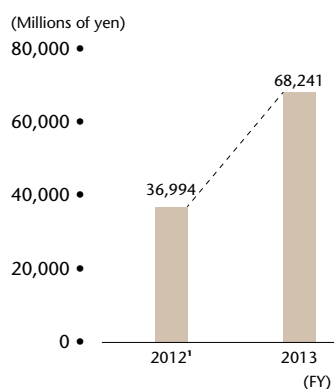
Operating Income **¥51,120** million



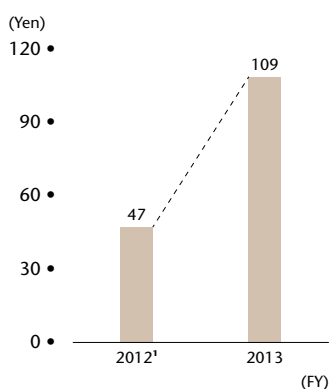
Net Income **¥29,835** million



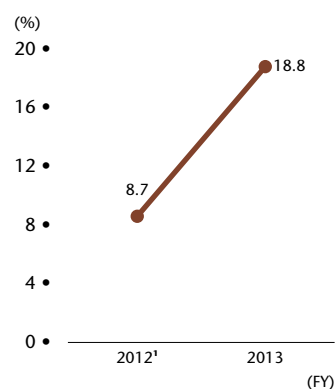
EBITDA **¥68,241** million



EPS² **¥109**



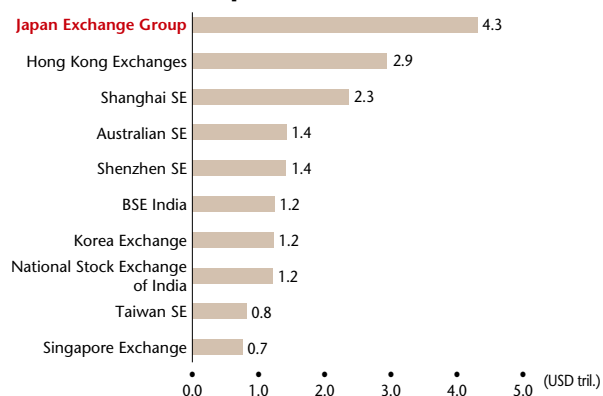
ROE³ **18.8%**



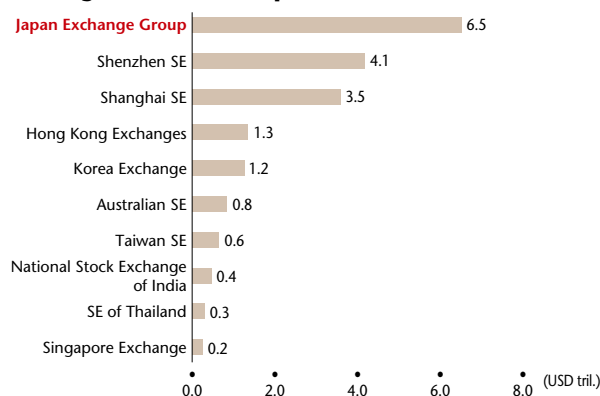
- Notes: 1. JPX consolidated results + former-OSE's Q1/Q2
 2. Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, EPS (earnings per share) is calculated as if such stock split was implemented at the beginning of the previous consolidated fiscal year.
 3. ROE is calculated excluding special assets for default. In calculating the ROE for FY2012, the figure used for shareholders' equity was as of the end of FY2012.

JPX's Standing in Asia

Domestic Market Capitalization (As of end Mar. 2014)



Trading Value of Cash Equities (FY2013)



Source: WFE (World Federation of Exchanges) statistics

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. We have continued to change with the times, serving as the driving force of the Japanese economy. JPX will continue to contribute to the sustainable growth of the Japanese economy, and the global economy.

1878— **Driving the modernization of Japan**

Tokyo Stock Exchange and Osaka Stock Exchange were established in 1878 as a part of a government policy to nurture new industries. The former was founded by Eiichi Shibusawa, also known as the father of Japanese capitalism, and the latter by Tomoatsu Godai, a businessman who was instrumental in the economic modernization of Osaka.



1945— **Reconstruction and paving Japan's road to financial independence**



After World War II, the Tokyo and Osaka bourses played a key role as economic infrastructure for post-war reconstruction and financial independence. In April 1949, they became membership organizations as Tokyo Stock Exchange (TSE) and Osaka Securities Exchange (OSE) and started equity trading in May the same year. From 1955, the Japanese economy entered a period of rapid expansion. To meet strong demand for capital spending, the exchanges developed rules and systems to facilitate direct financing.

1960— **Providing infrastructure for high economic growth**



During the period of rapid economic growth, investing in securities spread among the general public, leading to dramatic growth for the securities markets. To satisfy the strong appetite for capital among mid-sized companies, the exchanges moved to bolster the markets by establishing the 2nd Section market, and trading government bonds and convertible bonds. Along with new products, computers were readily adopted in the securities markets to drive economic growth. After pioneering the use of commercial computers in Japan to significantly improve administrative processes, in 1974 TSE launched a market information system to accurately and quickly distribute market information nationwide, and in 1982 implemented a trading system for the 2nd Section.

1985-



Market expansion and globalization

After the Plaza Accord in 1985, the Tokyo Stock Price Index (TOPIX) rose sharply, from 1,049 points at the end of 1985 to 2,881 points at the end of 1989, a remarkable 2.7-fold increase in just four years. The market capitalization of the Japanese stock market also reached ¥611 trillion, the world's largest at that time. Companies and investors across the world paid close attention to Japan. Foreign company listings increased, and foreign securities companies began applying for membership. The exchanges responded to such globalization at an unprecedented speed and scale while upgrading trading systems. In 1982, derivatives trading began in the U.S. and spread in markets across the world. In Japan, the first derivatives contracts launched with government bond futures on TSE in 1985, followed by TOPIX futures on TSE and Nikkei 225 futures on OSE in 1988. These markets grew rapidly, and in 1990, the Nikkei 225 futures market became the world's largest in terms of trading value, overtaking the S&P 500 futures market on the Chicago Mercantile Exchange.

1990-



Laying the foundations for future growth

In the 1990s, after the collapse of the bubble economy, the Japanese economy entered a severe and prolonged downturn. Amid calls for industrial restructuring, the economy quickly needed to create a new dynamic where labor, capital, and other economic resources were channeled into growth industries. In response, the exchanges innovated, creating new emerging boards in the form of Mothers and Nasdaq Japan (currently integrated into JASDAQ), to nurture new companies.

2000-



Toward a new era as an exchange

As global competition intensified, TSE and OSE sought to build even more competitive markets, overhaul their governance structures, and diversify financing methods. As part of this movement, TSE and OSE became stock companies in 2001, with OSE listing its stocks on OSE Hercules in 2004 to become Japan's first public exchange. Further, along with the liberalization of financial services and greater sophistication of information technology, new forms of trading emerged and grew, such as online trading and algorithmic trading. In response, TSE began developing a next-generation cash equity trading system called "arrowhead" (launched January 2010), and OSE the "J-GATE" platform for trading derivatives (launched February 2011).

2013-



Establishment of Japan Exchange Group

Japan Exchange Group (JPX) was formed on January 1, 2013 as a result of the business combination between TSE and OSE.



Bringing together TSE's dominant presence in cash equity trading and OSE's strengths in the derivatives market, the new globally competitive JPX adopted the vision of "becoming the most preferred exchange in Asia." As the global exchange industry approaches a crucial turning point, in the course of creating and building attractive markets, JPX will constantly challenge and renew itself to stay ahead of the competition.



Message from Group CEO

Becoming the Most Preferred Exchange, Corporate Value Creation for Economic Growth in Japan and Asia

Since its establishment in January 2013, Japan Exchange Group, Inc. (JPX) has pursued its vision of “becoming the most preferred exchange in Asia.”

During FY2013, we focused on quickly generating synergies from the business combination of the Tokyo and Osaka exchanges. In July 2013 we integrated the cash equity markets into Tokyo Stock Exchange, consolidating self-regulatory operations and clearing functions, and in March 2014 integrated the derivatives markets under Osaka Exchange. These measures have enhanced efficiency in the market infrastructure, reduced costs, and increased convenience for all investors and market users.

We have also implemented a series of measures to make the JPX markets more appealing to investors and increase their value. These include initiatives to raise the investment appeal of Japanese companies with stronger corporate governance and higher return on equity, launching new derivatives products, and expanding our clearing service offerings.

For capitalism to thrive, market mechanisms need to be sound and effective, and play an integral role in economic growth and the sustainable development of society. JPX will continue to bolster and increase the appeal of Japan’s robust and stable market infrastructure. We will bring another dimension to economic dynamism around the world, centering on Asia, as we grow together with our stakeholders and society.

We hope you join us in our journey toward becoming the most preferred exchange.

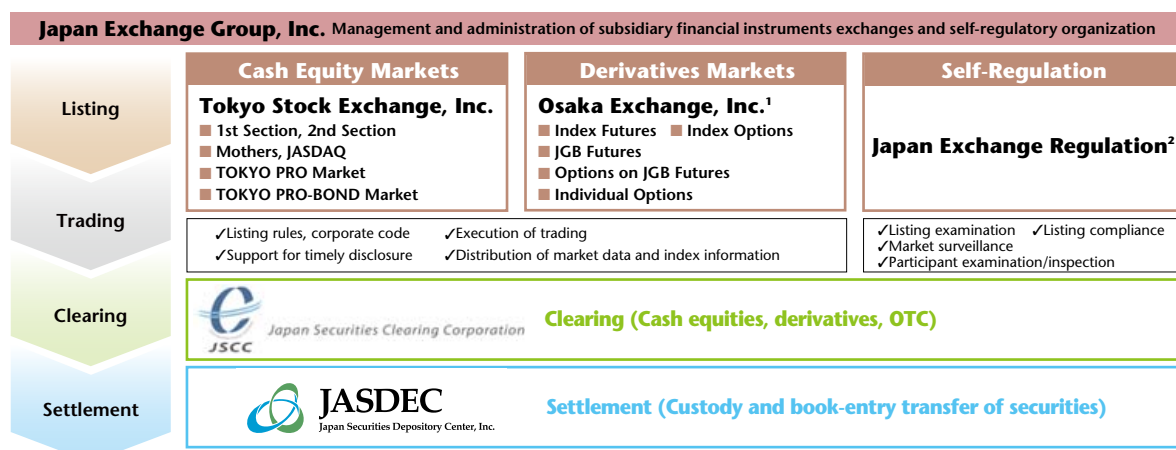
October 2014



Atsushi Saito
Director & Representative Executive Officer, Group CEO
Japan Exchange Group, Inc.

About JPX

Japan Exchange Group, Inc. (JPX) operates financial instruments exchange markets to provide market users with reliable venues for trading listed securities and derivatives instruments. In addition to providing market infrastructure and market data, JPX also provides clearing and settlement services through a central counterparty and conducts trading oversight to maintain the 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.



Trade/corporate names were changed

Notes: 1. Osaka Securities Exchange was renamed Osaka Exchange on March 24, 2014.

2. Tokyo Stock Exchange Regulation was renamed Japan Exchange Regulation on April 1, 2014.

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

Business Model, Revenue Streams, and Cost Structures

JPX provides a fair, secure, and reliable market infrastructure, and in return receives fees from securities firms, issuers, information vendors, and other market users. Our main revenue streams are trading participant fees, income from securities settlement, listing fees, and income from information services. In terms of cost and revenue factors, market expansion and growth boost income while expenses remain relatively stable and unaffected by changes in market condition.

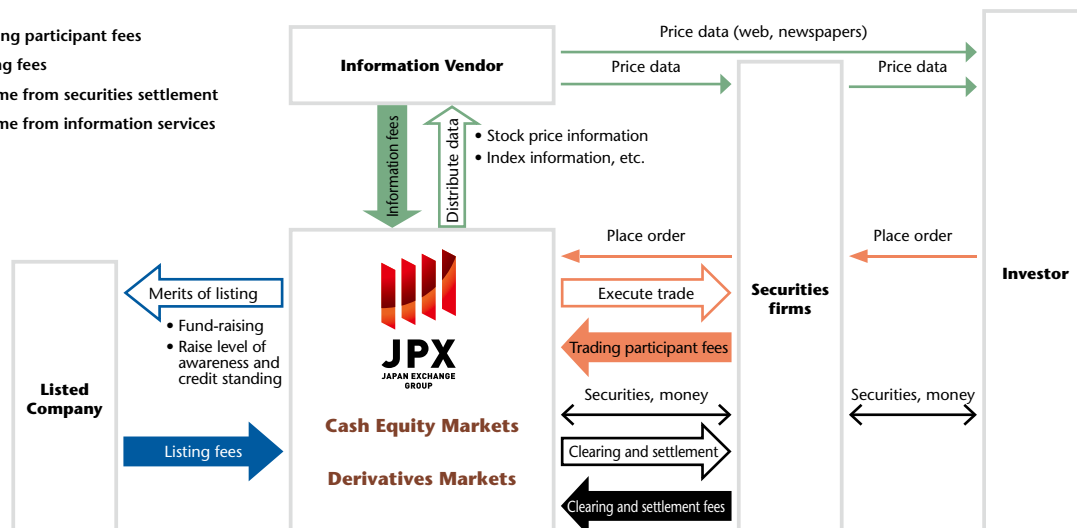
JPX Business Model

→ Trading participant fees

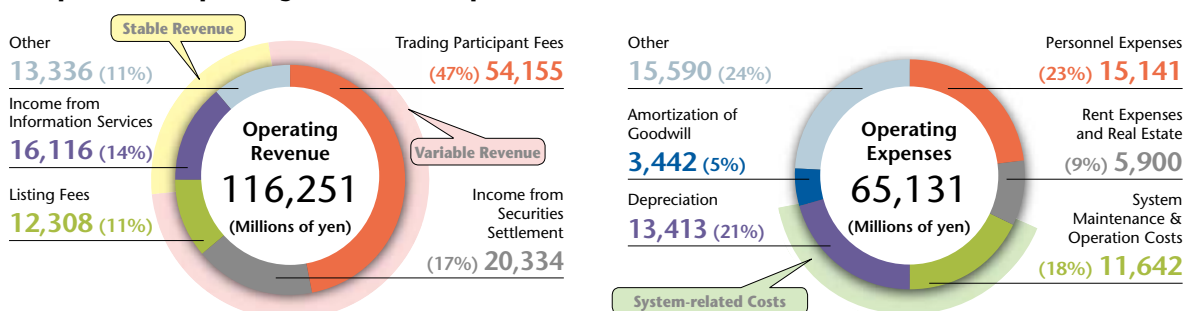
→ Listing fees

→ Income from securities settlement

→ Income from information services



Composition of Operating Revenue and Expenses (Millions of yen)



* FY2013 (Full Year)

Diverse Product Lineup

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 Securities Exchange (currently Osaka Exchange; OSE) in March 2014.

Today, TSE is home to over 3,400 listed companies and OSE offers a wide range of derivatives, including Nikkei 225 futures, TOPIX futures, and JGB futures and options, on a single platform.

Cash Equity Lineup (As of end Jul. 2014)

Tokyo Stock Exchange		
1st Section For large enterprises 1,824 companies	 For a wide range of companies 859 companies	
2nd Section For established mid-sized companies 543 companies		
 For growth companies 198 companies		
For a wide range of issuers suitable for investment by "professional investors" TOKYO PRO Market 8 companies TOKYO PRO-BOND Market 7 issues		
Other Products		
ETFs/ETNs 180 issues		REITs and other 49 issues

Derivatives Product Lineup (As of end Jul. 2014)

Osaka Exchange, Inc.	
Asset	Product name
Equity Index	Nikkei 225 Futures, Nikkei 225 mini, TOPIX Futures, mini-TOPIX Futures, TOPIX Core30 Index Futures, RN Prime Index Futures, DJIA Futures, CNX Nifty Index Futures, Nikkei 225 Options, TOPIX Options, JPX-Nikkei 400 Futures ¹
Dividend Index	Nikkei 225 Dividend Index Futures, TOPIX Dividend Index Futures, TOPIX Core30 Dividend Index Futures
Volatility Index	Nikkei 225 VI Futures
REIT Index	TSE REIT Index Futures
Sector Index	TOPIX Banks Stock Price Index Futures
Bond	10-year JGB Futures, mini 10-year JGB Futures, Super-Long JGB (20-year) Futures, 5-year JGB Futures, Options on JGB (10-year) Futures
Individual stock	Single Stock Options
FX	OSE-FX ²

Notes: 1. JPX-Nikkei 400 futures will be launched on November 25, 2014 (Tuesday).
 2. OSE-FX will cease trading on October 23, 2014 (Thursday). (The trading session ends at 6:00 a.m. on October 24, 2014 (Friday).)

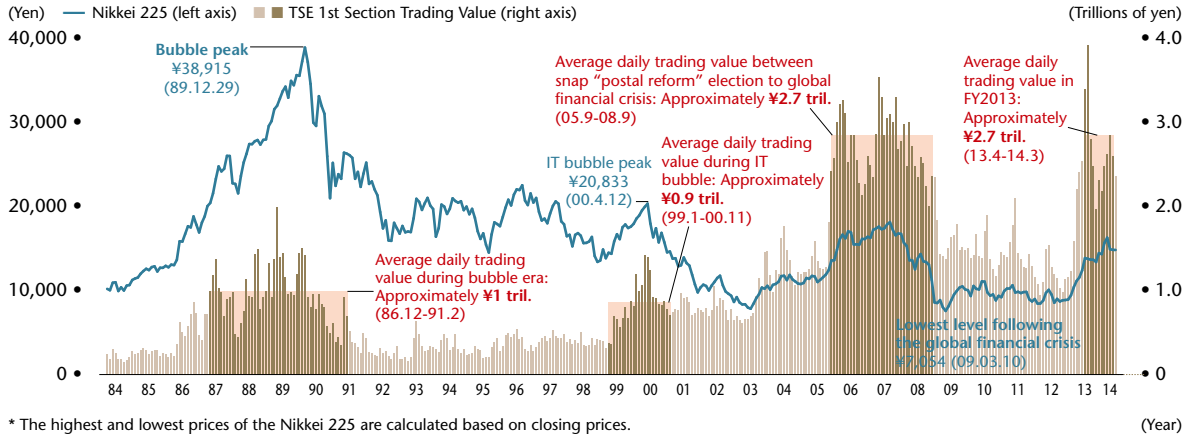
About JPX
 Aiming to Increase Corporate Value
 Special Feature "Power of the Capital Market"
 Ensuring the Sustainability of Corporate Value
 Financial Data/Corporate Data

Business Conditions and Competitive Landscape

Equity Trading Returns to Historic Peaks

TOPIX rose 16.3% year on year in FY2013, with Nikkei 225 up 19.6%. The market capitalization of the TSE 1st Section increased from ¥359 trillion in the previous fiscal year to approximately ¥427 trillion (+¥67 trillion). Average daily trading value of the TSE 1st Section in FY2013 was approximately ¥2.7 trillion, the level before the global financial crisis.

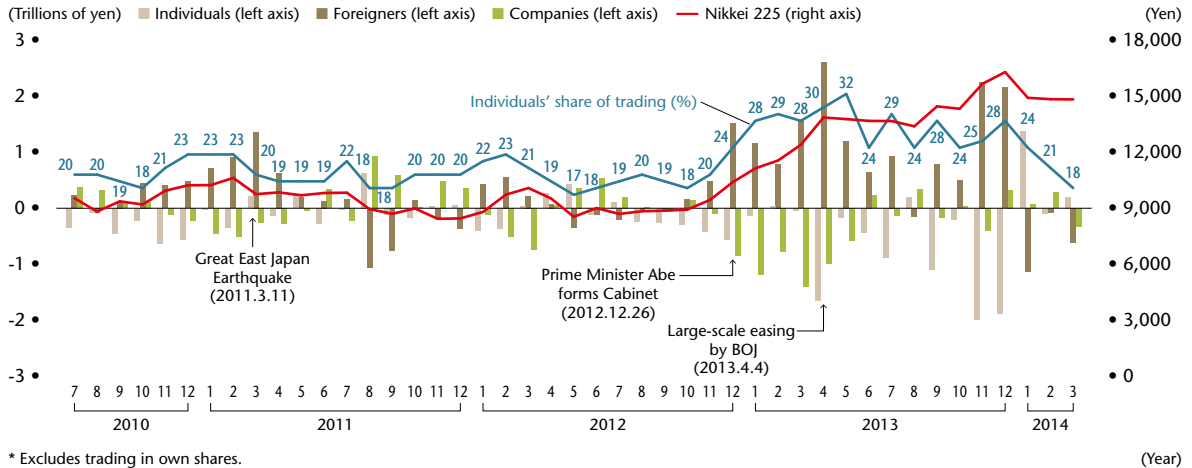
Japanese Stock Market Trend (TSE 1st Section)



Net Overseas Inflows and Strong Retail Interest

In FY2013, overseas equity inflows became net buyers by more than ¥9 trillion. Retail interest also remained strong, temporarily breaching the 30% mark.

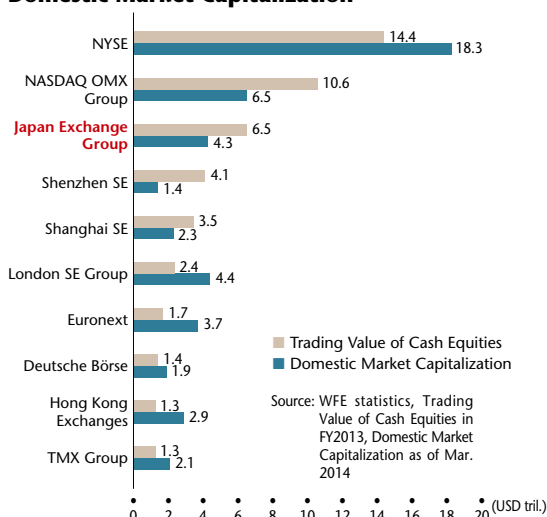
Trading by Investor Category (TSE 1st Section)



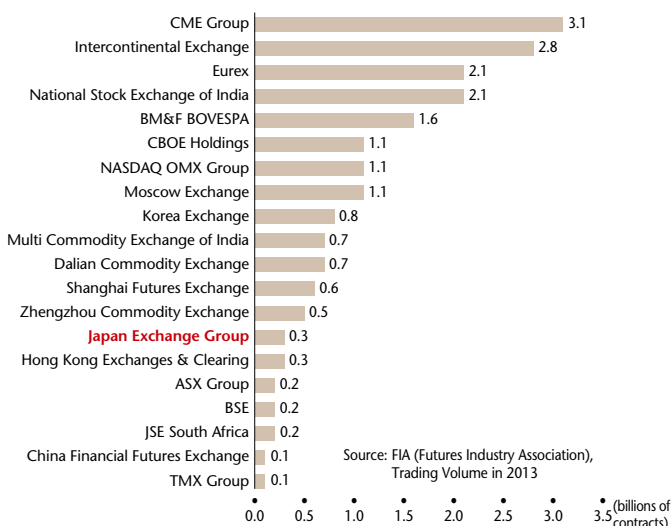
Our Global Position

The JPX stock market had the 3rd highest trading value worldwide during FY2013, and was the 4th largest by market capitalization as of the end of the period. The JPX derivatives market ranked 14th worldwide, and 7th in Asia, by trading volume.

Trading Value of Cash Equities, Domestic Market Capitalization



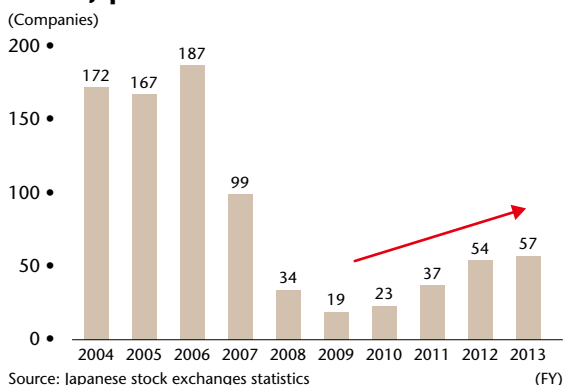
Derivatives Volume Rankings



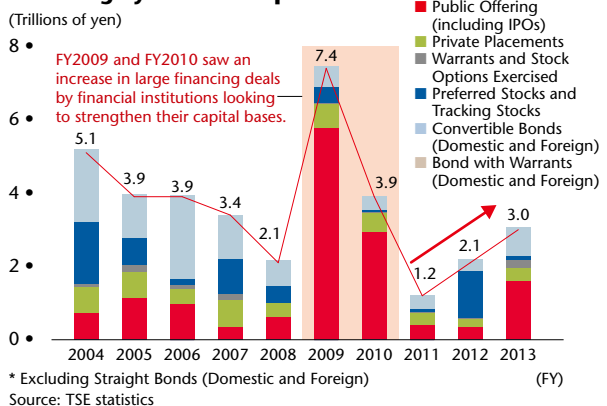
Recovery in IPOs and Financing Activity

The number of domestic IPOs in FY2013 increased by three from the previous year to 57. Capital increases and other types of financing are also on the rise.

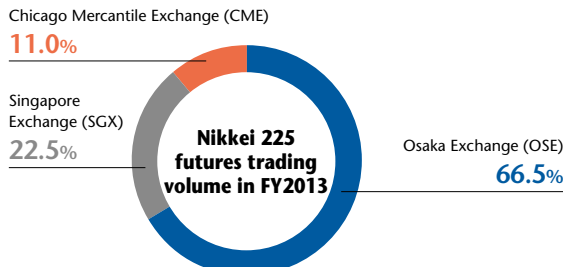
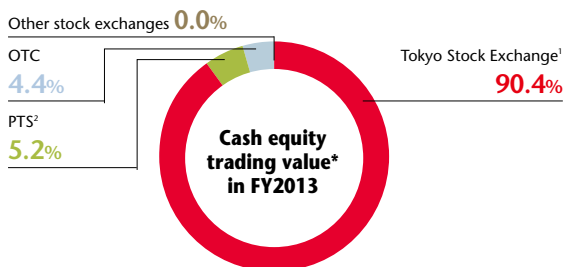
IPOs in Japan



Financing by Listed Companies



Competitive Landscape of Main Products



Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.
2. PTS is the total of SBI Japannext and Chi-X Japan.
Source: TSE, SBI Japannext, Chi-X, and JSDA statistics

* OSE's mini calculation factor is 1/10, SGX's large (incl. USD denominated) is 1/2, mini is 1/10, and CME's USD denominated and JPY denominated contracts are 1/2.
Source: Each exchange

About JPX

Aiming to Increase Corporate Value

Special Feature "Power of the Capital Market"

Ensuring the Sustainability of Corporate Value

Financial Data/Corporate Data

Corporate Governance

Fundamental Approach

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

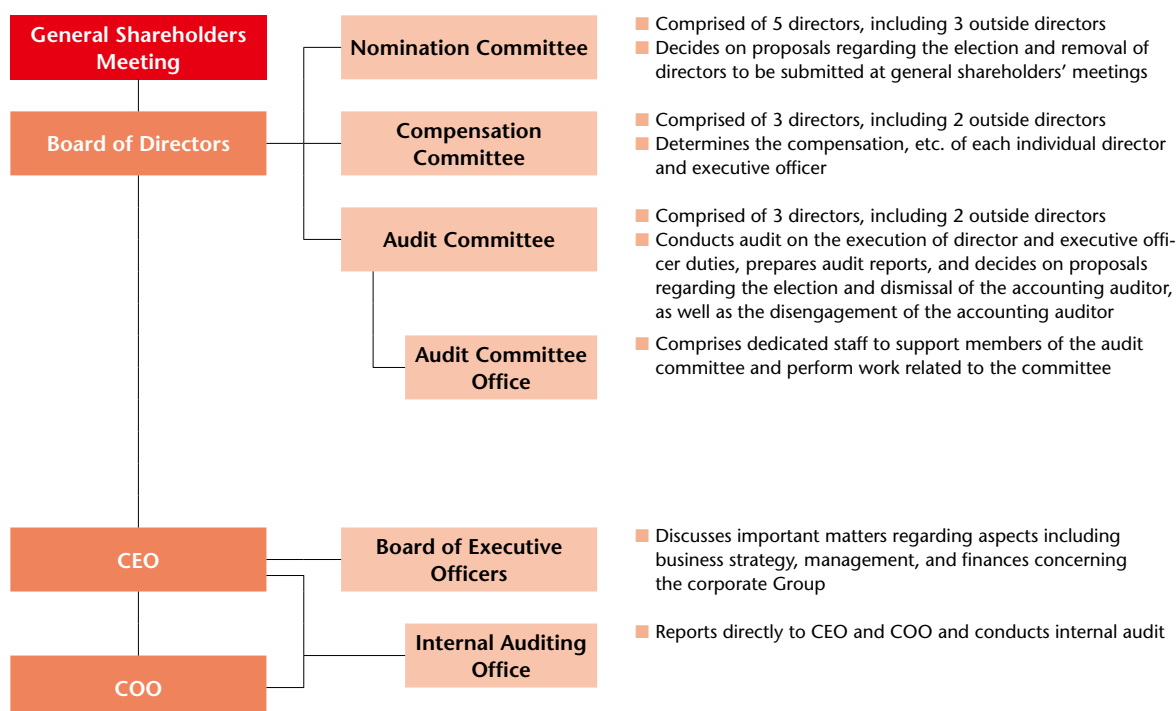
Our fundamental approach to corporate governance is closely linked with the provision of a highly liquid and reliable securities market, and based on the following principles:

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

Adoption of Company with Committees System

JPX has adopted a company with committees system in order to clarify the authority and responsibilities for management oversight and business execution. Specifically, we have established three committees comprising mainly outside directors—a Nomination Committee, a Compensation Committee, and an Audit Committee. We have designated executive officers responsible for executing business activities to ensure separation of management oversight and business execution functions.

Corporate Governance System at Japan Exchange Group, Inc.



Board Composition and Meetings

The supervisory and oversight function is centered on the JPX Board of Directors, comprising 14 members, including two female directors. To increase management transparency and accountability, as well as enhance oversight of business execution, the majority of board members are outside directors. The roles of the Chairman of the Board of Directors are performed by a director without responsibilities for execution of business.

Meetings of the Board of Directors are held on a regular basis. The board makes decisions on basic management policies and important management matters, and oversees business execution by executive officers.

Matters Regarding Organizational Structure and Operations

Directors		Outside Directors	
No. of directors in the Articles of Incorporation	15 or fewer	No. of outside directors	8
Term of directorship in the Articles of Incorporation	1 year	No. of outside directors appointed as independent directors/auditors	8
No. of directors	14		

Highly Independent Outside Directors Occupy Majority of the Board

Of the eight outside directors, three hold cross-appointments with other listed companies. Two are legal professionals, one is a certified public accountant, and two are academics. Each director has considerable experience and insight in their various fields, and contribute to a structure that allows external perspectives to be readily incorporated into company management.

The majority of board members are outside directors, satisfying the requirements as independent directors/auditors¹ as defined by Tokyo Stock Exchange, Inc., to represent and protect the interests of general shareholders.

Note 1: Independent directors are outside directors or outside auditors who have no conflicts with the interests with shareholders.

Name	Attribute	Name	Attribute
Christina Ahmadjian	Academic	Katsuhiko Honda	From other company
Tsutomu Okuda	From other company	Kunihiro Matsuo	Attorney-at-law
Hideaki Kubori	Attorney-at-law	Shigeru Morimoto	Academic
Michiko Tomonaga	Certified public accountant	Charles Ditmars Lake II	From other company

Main activities of outside directors

- No. of board meetings held in current business year: 11
- Participation in board meetings: 96.6%
- Participation in committee meetings: 94.6%

Director Remuneration

Director, executive officer, and auditor remuneration comprises basic salary, bonus, and company stock, and is determined by the Compensation Committee. Basic salary is consideration for daily business execution and participation in management commensurate with each position and its duties. Bonuses are an incentive for improving corporate performance for a fiscal year. The total amount of bonus is determined based on corporate performance, which is then distributed to each executive officer based on the degree of contribution. Company stock is an incentive for raising medium-to-long term corporate value and is an amount commensurate with each position and its duties that is allocated to purchasing company shares. The total amounts paid to directors and executive officers in FY2013 were as follows.

Compensation Paid to Directors and Executive Officers

Classification	No. of Recipients	Amount Paid (Millions of yen)
Directors	10	91
(of which outside directors)	(8)	(44)
Executive officers	9	448

* Persons serving as both directors and executive officers do not receive compensation as directors.

Board of Directors



Director (Chairperson of the Board of Directors)

Masakazu Hayashi

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

Area of Responsibility: Chairperson of the Board of Directors

No. of Company shares held: 0 shares



Director & Representative Executive Officer, Group CEO

Atsushi Saito

Chairman of the Nomination Committee
 Member of the Compensation Committee

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

Area of Responsibility: Group CEO

Significant Concurrent Position: Member of the Board of Directors, Osaka Exchange, Inc.

No. of Company shares held: 24,100 shares



Director & Representative Executive Officer, Group COO

Michio Yoneda

Member of the Nomination Committee

Apr. 1973 Joined The Bank of Japan
 Jul. 1995 General Manager, Akita Branch, ditto
 May 1998 General Manager, Sapporo Branch, ditto
 Apr. 2000 Executive Director, Osaka Securities Exchange
 Apr. 2001 Executive Director, Osaka Securities Exchange Co., Ltd.
 Dec. 2003 President & CEO, ditto
 Apr. 2010 President & CEO and Executive President, ditto
 Jan. 2013 Director & Representative Executive Officer, Group COO of the company (current position)
 Director, Tokyo Stock Exchange, Inc. (current position)

Area of Responsibility: Group COO

Significant Concurrent Position: Member of the Board of Directors, Tokyo Stock Exchange, Inc.

No. of Company shares held: 51,200 shares



Director

Akira Kiyota

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

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

No. of Company shares held: 1,500 shares



Director

Hiromi Yamaji

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 Member of the Board, Managing Director, Head of Global Investment Banking
 Apr. 2002 President & CEO, Nomura Europe Holdings plc (London), Chairman, Nomura Holding America Inc. (New York)
 Apr. 2007 Executive Vice President, Global Investment Banking, 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)

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

No. of Company shares held: 1,100 shares



Director, Independent Director, Outside Director

Christina Ahmadjian

- Jan. 1995 Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)
- Oct. 2001 Associate Professor, Hitotsubashi University, Graduate School of International Corporate Strategy
- Jan. 2004 Professor, ditto
- Apr. 2010 Dean, ditto
- Apr. 2012 Professor, Hitotsubashi University, Graduate School of Commerce and Management (current position)
- Jun. 2014 Outside Director of the company (current position)

Significant Concurrent Positions: Professor, Hitotsubashi University, Graduate School of Commerce and Management
 Outside Director, Mitsubishi Heavy Industries, Ltd.

No. of Company shares held: 0 shares



Director, Independent Director, Outside Director

Tsutomu Okuda

Chairman of the Compensation Committee
 Member of the Nomination Committee

- Apr. 1964 Joined The Daimaru, Inc.
- Sep. 1991 Representative Director, Daimaru Australia Pty. Ltd.
- May 1995 Director, The Daimaru, Inc.
- May 1996 Managing Director, ditto
- Mar. 1997 President, ditto
- May 2003 Chairman and CEO, ditto
- Jun. 2006 Outside Director, Osaka Securities Exchange Co., Ltd.
- Sep. 2007 President and CEO, J. FRONT RETAILING Co., Ltd., Chairman, The Daimaru, Inc.
- Mar. 2010 Representative Director and Chairman & CEO, J. FRONT RETAILING Co., Ltd.
- Jan. 2013 Outside Director of the company (current position)
- Apr. 2013 Director and Senior Advisor, J. FRONT RETAILING Co., Ltd.
- May 2014 Senior Advisor, ditto (current position)

Significant Concurrent Positions: Senior Advisor, J. FRONT RETAILING Co., Ltd.
 Outside Director, Resona Holdings, Inc.
 Outside Auditor, Mainichi Broadcasting System, Inc.

No. of Company shares held: 4,500 shares



Director, Independent Director, Outside Director

Hideaki Kubori

Member of the Nomination Committee

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

Significant Concurrent Positions: Outside Governor, Japan Exchange Regulation, Attorney-at-law
 Representative, HIBIYA PARK LAW OFFICES
 Outside Auditor, SOURCENEXT CORPORATION
 Professor, Omiya Law School
 Member of the Supervisory Committee, The Norinchukin Bank

No. of Company shares held: 0 shares



Director, Independent Director, Outside Director

Michiko Tomonaga

Member of the Audit Committee

- Apr. 1972 Entered Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
- Mar. 1975 Registration as Certified Public Accountant (current position)
- Jul. 2007 Vice President, Japanese Institute of Certified Public Accountants
- Jul. 2008 Senior Partner, Ernst & Young ShinNihon LLC
- Jun. 2014 Outside Director of the company (current position)

Significant Concurrent Positions: Outside Auditor, Keikyū Corporation
 Outside Auditor, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
 Outside Auditor, Corporation for Revitalizing Earthquake affected Business

No. of Company shares held: 0 shares



Director

Masayuki Hirose

Member of the Audit Committee

- Apr. 1979 Joined Tokyo Stock Exchange
- Jun. 2009 Director, Tokyo Stock Exchange Group, Inc.
 Statutory Auditor, Tokyo Stock Exchange, Inc. (current position)
- Jan. 2013 Director of the company (current position)

Significant Concurrent Position: Statutory Auditor, Tokyo Stock Exchange, Inc.

No. of Company shares held: 0 shares

About JPX
 Aiming to Increase Corporate Value

Special Feature
 "Power of the Capital Market"

Ensuring the Sustainability of Corporate Value

Financial Data/Corporate Data

Board of Directors



Director, Independent Director, Outside Director

Katsuhiko Honda

Member of the Nomination Committee

- Apr. 1965 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)
- Jun. 1992 Director, General Manager, Human Resources, ditto
- Jun. 1994 Managing Director and Leader, Personnel and Labor Group, ditto
- Jun. 1995 Managing Director, Tobacco Business Headquarters, ditto
- Jun. 1996 Senior Managing Director, Tobacco Business Headquarters, ditto
- Jun. 1998 Executive Deputy President and Representative Director, ditto
- Jun. 2000 President and Representative Director, ditto
- Jun. 2006 Member of the Board, Corporate Counselor, ditto
- Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc. Outside Director, Tokyo Stock Exchange, Inc., Corporate Counselor, Japan Tobacco Inc.
- Jun. 2012 Corporate Counselor (current position), ditto
- Jan. 2013 Outside Director of the company (current position)

Significant Concurrent Positions: Corporate Counselor, Japan Tobacco Inc.

Member of the Board of Governors, Japan Broadcasting Corporation

No. of Company shares held: 0 shares



Director, Independent Director, Outside Director

Kunihiro Matsuo

Chairman of the Audit Committee

- Apr. 1966 Legal trainee
- Apr. 1968 Prosecutor, Tokyo Public Prosecutor's Office
- Dec. 1996 Deputy Chief Prosecutor, ditto
- Jun. 1998 Detective Superintendent, Ministry of Justice
- Dec. 1999 Vice Minister of Justice, Ministry of Justice
- Jun. 2004 Prosecutor-General, Supreme Public Prosecutor's Office
- Sep. 2006 Registration as Attorney-at-law (current position)
- Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc. Outside Auditor, Tokyo Stock Exchange, Inc.
- Jan. 2013 Outside Director of the company (current position)

Significant Concurrent Positions: Attorney-at-law

Outside Auditor, Toyota Motor Corporation

Outside Auditor, MITSUI & CO., LTD.

Outside Auditor, Komatsu Ltd.

Outside Auditor, Brother Industries, Ltd.

Outside Auditor, Seven Bank, Ltd.

Outside Auditor, TV Tokyo Holdings Corporation

No. of Company shares held: 0 shares



Director, Independent Director, Outside Director

Shigeru Morimoto

- Apr. 1969 Assistant, Faculty of Law, Kyoto University
- Aug. 1971 Assistant Professor, ditto
- Jun. 1983 Professor, ditto
- Apr. 1992 Professor, Graduate School of Law, ditto
- Apr. 2009 Professor, Graduate School of Law, Doshisha University (current position)
- Jun. 2009 Outside Director, Osaka Securities Exchange Co., Ltd.
- Oct. 2011 Registration as Attorney-at-law (current position)
- Jan. 2013 Outside Director of the company (current position) Outside Director of Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.)

Significant Concurrent Positions: Professor, Graduate School of Law, Doshisha University
Attorney-at-law

No. of Company shares held: 3,000 shares



Director, Independent Director, Outside Director

Charles Ditmars Lake II

Member of the Compensation Committee

- Aug. 1992 Director for Japan Affairs, Office of the U.S. Trade Representative (USTR), Executive Office of the President
- Jul. 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, ditto
- Jun. 1999 Vice President and Counsel, American Family Life Assurance Company of Columbus Japan Branch (Aflac Japan)
- Jul. 2001 Deputy President, ditto
- Jan. 2003 President and Representative in Japan, ditto
- Apr. 2005 Vice Chairman and Representative in Japan, ditto
- Jun. 2006 Outside Director, Tokyo Stock Exchange, Inc.
- Aug. 2007 Outside Director, Tokyo Stock Exchange Group, Inc.

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

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

Jan. 2014 President, Member of the Board of Directors, Aflac International Incorporated (current position)

Significant Concurrent Positions: Representative and Chairman, American Family Life Assurance Company Japan Branch (Aflac Japan)

President, Member of the Board of Directors, Aflac International Incorporated

No. of Company shares held: 0 shares

Executive Officers

Japan Exchange Group, Inc.

Atsushi Saito

Director & Representative Executive Officer, Group CEO

Michio Yoneda

Director & Representative Executive Officer, Group COO

Yoshinori Suzuki

Executive Vice President & CIO
IT Planning

Koichiro Miyahara

Executive Vice President
Human Resources

Kotaro Yamazawa

Executive Vice President
Corporate Strategy and Corporate Communications

Yoshinori Karino

Senior Executive Officer
IT Planning

Moriyuki Iwanaga

Senior Executive Officer & CFO
Treasury

Isao Hasegawa

Executive Officer
General Administration

Tokyo Stock Exchange, Inc.

Akira Kiyota

President & CEO

Yoshinori Suzuki

Executive Vice President
IT Administration and IT Development (Equities and Information)

Kiyoyuki Tsuchimoto

Senior Executive Officer
Equities and Market Participants Relations

Masaki Shizuka

Senior Executive Officer
Listing

Michio Yoneda

Director (part-time)

Takashi Moriya*

Standing Statutory Auditor

Katsushi Kuroda*

Statutory Auditor

Atsushi Shimizu*

Statutory Auditor

Masayuki Hirose

Statutory Auditor

Moriyuki Iwanaga

Senior Executive Officer
Clearing & Settlement

Yasuyuki Konuma

Executive Officer
New Listings and Market Business Development

Ryusuke Yokoyama

Executive Officer
IT Development (Clearing) and IT Services

Yoshihiro Isaka

Executive Officer
Information Services

Masayuki Murata

Executive Officer
New Listings

Isao Hasegawa

Executive Officer
General Administration

* Outside

Osaka Exchange, Inc.

Hiromi Yamaji

President & CEO

Kotaro Yamazawa

Executive Vice President
Market Business Development

Yoshinori Karino

Senior Executive Officer
IT

Atsushi Saito

Director (part-time)

Masahiko Maruyama

Standing Statutory Auditor

Hiroshi Iwaki*

Statutory Auditor

Yasuhiko Ogawa*

Statutory Auditor

Yoshinori Suzuki

Executive Vice President
IT and Next Derivatives Trading System Development

Yoshihiro Isaka

Executive Officer
Information Services

Hiroyasu Ichimoto

Executive Officer
Market Business Development and Market Operations

Tatsuya Kamiki

Executive Officer
Market Operations

Isao Hasegawa

Executive Officer
General Administration

* Outside

Japan Exchange Regulation

Takafumi Sato*

President

Makoto Minoguchi

Standing Governor
Listing Examination and General Administration

Tetsuya Kawamoto

Standing Governor
Listed Company Compliance

Hiroyuki Matsuzaki

Standing Governor
Participants Examination and Inspection and Market Surveillance and Compliance

Hideaki Kubori*

Governor

Shigeo Sasaki*

Governor

Koichi Masuda*

Governor

Taro Takeda

Standing Auditor

Takashi Moriya*

Auditor

* Outside

Interview with Outside Director



Charles Ditmars Lake II
Outside Director
Japan Exchange Group, Inc.

Outside Director, Japan Exchange Group, Inc., President, Aflac International Incorporated, and Chairman and Representative in Japan, Aflac Japan. Born in the United States in 1962, Mr. Lake spent the majority of his childhood in Japan, where he completed compulsory Japanese elementary and junior high school education. In 1990, Mr. Lake received his juris doctor degree from the George Washington University School of Law. After serving in such positions as Director of Japan Affairs and Special Counsel in the Office of the U.S. Trade Representative (USTR), Mr. Lake practiced law in Washington, D.C. Mr. Lake joined Aflac Japan in 1999, became President and Representative in Japan in 2003, and was also Vice Chairman and Representative in Japan prior to assuming his current posts. Mr. Lake is also President Emeritus of the American Chamber of Commerce in Japan.

>>>As an independent director of JPX, what do you believe is the social mission of an exchange?

JPX plays vital roles as public infrastructure to support risk-based investment and as a steward of the public interest through its self-regulatory functions. I believe JPX's role as highly reliable social infrastructure, in addition to its business mission, helps differentiate it from many other exchanges around the world.

For our part, the JPX Board is engaged in an ongoing dialogue about how JPX can contribute to meeting the expectations of Japanese society, serve the public interest in line with global best practices, and support the sustainable growth of Japan's economy. In order to conduct appropriate oversight for JPX's operations, I believe it is important for Board members to understand the need to balance JPX's social infrastructure role on the one hand with its responsibilities toward shareholders on the other hand.

In this sense, what Harvard University Professor Michael E. Porter has termed Creating Shared Value (CSV) directly fits JPX's mission and business model. If a corporation's core business directly provides solutions to societal needs, then that's a business that's truly working in a sustainable manner. In that sense, JPX is a perfect example in that it provides an essential economic function while providing returns to its shareholders.

>>>What is your assessment of JPX's corporate governance system?

I believe JPX's corporate governance system is well aligned with global best practices as articulated by the OECD in its Principles of Corporate Governance. JPX's corporate governance system is built around the Board's responsibility to ensure robust governance, transparency, competency,

accountability, independence from executive management, ethics, and other criteria. To help JPX deliver on these points, the majority of JPX's board members, 8 out of 14 to be specific, are independent board members. This approach was voluntarily adopted by JPX and is common practice among U.S. and European listed companies. Similarly, the responsibilities of the JPX Chairman of the Board and the JPX CEO are separate, held by two different individuals.

It is clear to me that JPX also highly values effective shareholder communication. Our recent Annual General Shareholders' Meeting (AGM), for example, was exceptionally substantive as evidenced by the quality and number of questions received, as well as by the executive management team's handling of the questions. They were open and straightforward in their responses to shareholders.

>>>We wish to understand how you contribute to board meetings as an independent director. How precisely does an independent director add value at JPX?

JPX has developed a robust committee structure that serves as an integral part of its corporate governance approach. This approach enhances transparency and bolsters accountability. I serve on the board as well as on the Compensation Committee. In both roles, my primary responsibility is to provide an independent and objective point of view.

I believe the role of the independent director is to ask the hard questions and raise the issues that others, particularly those within the organization, may find difficult to discuss. Playing a check and balance role helps create an environment of free and open discussion; it enables the board to better prepare for contingencies and helps the organization stay connected with societal, global, competitive, and other perspectives. In particular, I do my best to provide the international perspective so the board can consider how the international community would receive a particular initiative or announcement. In the end, this type of free and open discussion penetrates the organization, leading to the best strategies and results.

Creating such an environment does not necessarily require lengthy or intense discussions about operations; rather, the board needs to focus on strategic issues such as annual and medium-term planning and provide oversight on major projects, IT investments, and operating environment changes. If all goes well, great. If not, what happened? What are the lessons learned? Independent board members need to be ready to ask the challenging questions.

So, I always go into the board meetings with the mind-set of "what is the stakeholders' perspective on this?" and "what would they want me to be asking?"

To be effective, governance must not end at the Board meeting. To get to the heart of issues that come up during the meetings, I sometimes meet separately with non-board executives and openly engage them in debate. This type of exchange can be fascinating, and it's the kind of interaction that helps me fulfill my duty as an independent director.

>>>What will be necessary to raise the international standing of JPX?

JPX must continue to adopt global best practices to enhance its operations. JPX must also play a major role to promote structural reform that contributes to the competitiveness of the Japanese economy. Some observers outside Japan have the impression that Japan's growth prospects are lackluster and that value creation is sluggish. I believe the opposite is true. And JPX is well positioned to be an even more vocal advocate for the types of public policies that will both promote Japan and enhance the country's competitiveness as a destination for investment.

In fact, I am more optimistic today about Japan than I have been over the past 15 years on assignment here. Abenomics offers an integrated package of policy measures (so-called "Three Arrows") of bold monetary policy, flexible monetary policy, and a growth strategy to stimulate private investment—and the arrows are working.

There is no silver bullet for transformative structural change, and it is not a process that happens overnight. That said, Prime Minister Abe is helping the world see that Japan is open for business. His speech at the World Economic Forum in Davos, for example, attracted considerable attention not only because Japan is the world's third-largest economy and Tokyo will host the 2020 Olympics and Paralympics, but because of the lessons the Prime Minister's economic policies can offer the rest of the world in the post-global financial crisis era.

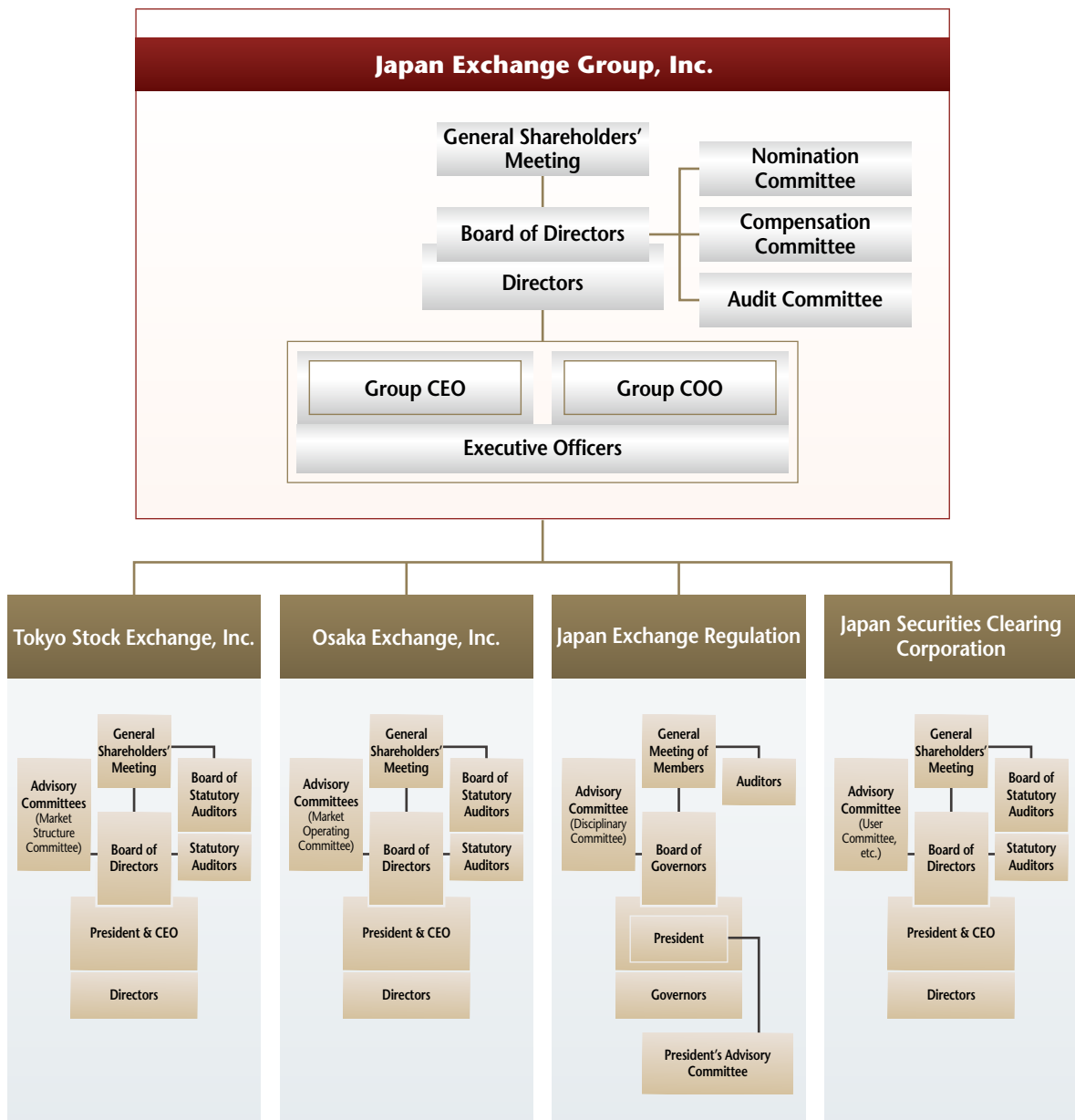
There's a lot that JPX can do to raise its international standing. Informing policymakers, for example, about JPX's own distinctive perspective and about what is happening with other international exchanges will help the Government implement the types of policies, such as the ongoing corporate governance reforms, that will ultimately lead to a better investment and business environment and deliver the message to the international community that Japan is back and open for business.

JPX Organizational Structure

Japan Exchange Group, Inc. is the holding company for consolidated subsidiaries, including Tokyo Stock Exchange, Inc. (TSE), Osaka Exchange, Inc. (OSE), Japan Exchange Regulation (JPX-R), and Japan Securities Clearing Corporation (JSCC), and equity-method affiliates.

TSE and OSE operate financial instruments markets, and JPX-R conducts self-regulatory operations on entrustment from TSE and OSE.

JSCC provides clearing services for cash and derivatives transactions executed on securities exchanges in Japan, securities transactions on PTSs, OTC derivatives trading, and Japanese government bond transactions on the OTC market.



Aiming to Increase Corporate Value



Executive Message



Atsushi Saito

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

Mobilizing the Free Market for Economic Growth and Development

>>>As a part of the infrastructure that underpins financial markets, what is JPX's mission in society?

Japan Exchange Group, Inc. (JPX) is charged with the task of providing opportunities for investors to manage their assets and serving as a platform for the industries to procure risk capital, while maintaining abundant liquidity in the market.

From the perspective of the corporate sector, it is critical that markets provide means to quickly raise funds at low cost when the need arises. This is made possible by liquidity in the markets underlined by massive amounts of investment flow. From the perspective of investors, liquidity is also the most important factor in gaining access to ready trading opportunities. As such, the market needs to be transparent, fair, and able to effect transactions promptly at prices that reflect supply and demand. The fundamental principle of capitalism is to discov-

er the price or value of goods through the interaction of supply and demand, and the ability of sellers and buyers to participate in the market out of their own free will is of the utmost importance. The degree to which this freedom is reflected in the price discovery process determines the value of the market. Countries and cities that have established themselves as international financial centers are indeed adept in this area.

In this context, a capitalist economy may be better off dispensing with rules and regulations. Recognizing, however, that markets also thrive on competition driven by human ambition and desire, an appropriate level of oversight is essential for ensuring credibility and order. This is why the exchange needs to establish market rules and discipline in the industry based on national laws and regulations to foster market practices that imbue the highest ethics and morals together with market

participants. **JPX is committed to fulfilling its role in providing open and transparent markets and allowing free markets to efficiently reflect the forces of supply and demand while addressing the needs of market users. We will work diligently to enhance Japan's competitiveness and help drive economic growth and development to attain our goal of achieving sustainable growth for all market users and ultimately the society.**

>>>More than a year has passed since JPX was established in January 2013. What has been the effect on investors, listed companies, and other market users?

I am confident that the business combination of Tokyo Stock Exchange (TSE) and Osaka Securities Exchange (OSE) and the reorganization of the underlying market functions have delivered a variety of benefits, including improved accessibility and reduced costs.

After the business combination, subsequent steps were taken to integrate the cash equity market, self-regulatory, and clearing operations in July 2013 and then integrate the derivatives markets in March 2014. This has increased the number of products available on a single platform. For companies listed both on TSE and OSE, this has eliminated the need for dual listings, thereby reducing listing costs. We have also seen issues that traded on OSE benefiting from improved liquidity. Securities firms that connect to the exchanges also enjoy reductions in

system development costs due to the consolidation of the exchange systems infrastructure. We see increased accessibility and convenience brought by the business combination and market integration as important steps toward ensuring the future development of the Japanese market.

At JPX, as a result of consolidating overlapping systems and other initiatives, costs are projected to fall by around ¥8.5 billion at the end of FY2015 compared with FY2012. The business combination has placed JPX in a position to execute business in a more efficient manner.

>>>Please provide us with an update on the Medium-Term Management Plan announced in March 2013. What issues will you face going forward?

JPX has identified three core strategies under its management plan: the creation of a new Japanese stock market, expansion of the derivatives markets, and expansion of exchange business fields.

In creating a new Japanese stock market, our focus is on how best to enhance the appeal of Japanese stocks. Japanese stocks have remained sluggish over the past two decades. On the other hand, from a global perspective, emerging markets have exhibited rapid growth, while economic powerhouses such as the U.S. have witnessed more than four-fold price gains over the past 20 years.

Overview of Medium-Term Management Plan (FY2013–FY2015), As of end of Mar. 2014

**Key 1
Creation of
a New Japanese Stock Market**

The average daily trading value for stocks rose greatly to ¥2.9 trillion in FY2013. There were 4 more IPOs on JPX exchanges than in the previous year, for a total of 56. ETF trading value rose to the top in Asia.

- Launch of JPX-Nikkei Index 400 (Jan. 6, 2014)
- Tick size optimization for highly liquid issues (Jan. 14, 2014)
- Continuous activities to attract IPOs to support company growth

**Key 2
Expansion of
the Derivatives Market**

Derivatives trading volume saw a large increase to 360 million contracts in FY2013. JPX's global ranking for trading volume rose to 14th (total for TSE/OSE ranked 17th in the previous FY).

- Trading hours extended for all derivatives products to 3 a.m. after the market integration (Mar. 24, 2014)
- New products listed, including CNX Nifty futures and 20-year JGB futures

**Key 3
Expansion of
Exchange Business Fields**

Obligations outstanding for yen-denominated interest rate swaps (IRSs) rose to ¥718 trillion at the end of March 2014 (¥182 trillion at end of March 2013)

- Client clearing was newly offered as a new service aimed to expand use of IRS clearing (Feb. 24, 2014)

Early Realization of Integration Benefits

The integration of the cash equity and derivatives systems and consolidation of business functions were completed in March 2014. Steady progress is being made on the integration of Group-wide rules and infrastructure.

Executive Message

When we assess the causes behind this gap, one factor we found was the relative lack of emphasis placed on raising business productivity from the shareholder perspective among Japanese listed companies compared with their overseas counterparts.

Overseas investors have taken issue with the relative lack of emphasis Japanese companies place on return on equity, a key indicator of capital efficiency, and their comparatively low ROE levels. Another issue is the corporate governance structures of Japanese companies where a lack of consideration is often observed for insight from external voices. Over the years, we have taken great pains to highlight these issues to listed companies.

In FY2013, we saw two major developments in this area. First, as a result of amendments to Japan's Companies Act as well as listing rules, we will achieve a "comply or explain" regime with respect to the appointment of outside directors. Many companies have moved to appoint outside directors in response. According to a July 2014 survey, the ratio of 1st Section companies appointing outside directors has risen to 74%. Our efforts have already borne fruit. The other development is the launch of the JPX-Nikkei Index 400, which adopts ROE as a selection criterion. The impact of this index is so immense that we have seen numerous companies review their distribution policies to shareholders and pay out greater dividends in a bid to secure inclusion in the index. We are also seeing the creation of many investment trusts and exchange traded funds

Asian Strategy—Create Business Opportunities in Asia

Support for Establishment of Stock Exchange in Myanmar and Expansion into Surrounding Countries

The operations company for the Yangon Stock Exchange will be established and start its operations (by fall 2015). JPX also will leverage its success in Myanmar and extend support in surrounding countries.

Listing of TOPIX, ETFs, and Futures, etc. on Asian Exchanges

JPX will realize the listing of TOPIX, ETFs, and futures, etc. on Asian exchanges to secure order flows from Asia and increase the prominence of the Japanese market within the region.

Fund Provision through the PRO-BOND Market

JPX will promote the listing of bonds issued under sovereign guarantee programs for developing countries and strengthen promotion efforts towards Asian issuers and professional investors.

Fund Provision through the Infrastructure Fund Market

JPX will open a listed infrastructure market (FY2014) and work toward the first listing (by the end of FY2015). JPX will strengthen promotion beyond domestic efforts toward the listing of funds from Asian issuers.

(ETFs) tracking the index. As this trend becomes increasingly prominent, we believe that corporate awareness toward effective capital use based on the shareholder perspective will become more pronounced. This will lead to an increase in corporate value and fuel the push toward creating a new Japanese stock market.

In addition, to expand the derivatives market, we will diversify our product lineup, which is narrow compared to exchanges in Europe and the U.S. Following the market's integration in March 2014, we have launched CNX Nifty futures (India's equity benchmark), and super long-term (20-year) JGB futures. From November 2014, we will begin trading JPX-Nikkei 400 futures. We will strive to expand our lineup to cover commodities and other assets, backed by the government's policies aimed at realizing a comprehensive exchange.

As for efforts to expand exchange business fields, we began clearing OTC derivatives in fall 2012, and this area is growing steadily. The merger between Japan Securities Clearing Corporation and Japan Government Bond Clearing Corporation, a clearinghouse for Japanese government bonds, was also completed in October 2013. We will expand our clearing offerings by strengthening the competitiveness of our yen-based interest rate clearing business and moving to offer foreign-denominated product clearing services.

>>>How will JPX build relationships with Asia? What activities do you have in mind? JPX will seek ways to contribute to Asia's continued growth and development and build relationships for mutual, long-term benefits.

Asia is experiencing a population boom and remarkable economic growth, and its appetite for funding is very strong. Meanwhile, Japan boasts vast and deep financial reserves. Even though Asia enjoys strong inflows of indirect finance and the presence of Japanese banks is growing, I think the region also needs to embark on large-scale projects with risk money from Japan.

We will channel funds to the rest of Asia by encouraging use of the TOKYO PRO-BOND Market, our professional-oriented bond market, and launching an infrastructure fund market. On the other

hand, to lure Asian investors to the Japanese market as a venue for asset management, we must work harder to increase and promote the attractiveness of Japan's market. Both Japan and the rest of Asia stand to gain from efficient cross-border fund flows through the JPX markets.

JPX is keen to support and contribute to the growth and development of market infrastructures in other countries. With a history that spans over 130 years, JPX has a wealth of experience and ability in product and infrastructure development. The credibility and orderliness of our markets are held in high regard. We have been approached by overseas stock exchanges, particularly in Southeast Asia, and are building sound relationships through personnel exchange programs and technical assistance. Our relationship with Myanmar, where we are helping to establish a stock exchange, is an excellent example. JPX is confident of developing business opportunities with countries throughout Southeast Asia.

>>>What is required for JPX to enhance its corporate value?

We will work diligently to raise the top line while controlling costs and increasing the appeal of the market.

Considering the nature of the exchange business, daily profits are significantly swayed by changes in the macroeconomic environment. Maintaining strict controls on costs is an extremely important factor in maintaining stable profits. JPX is committed to strengthening our profit base by capturing the needs of market users and increasing the market's appeal.

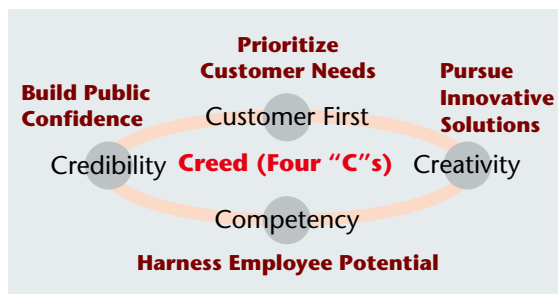
Looking at the cash equity market, this will entail attracting new listings and establishing new markets including those for infrastructure funds. JPX will increase the number of products that meet the



requirements of domestic and overseas investors and endeavor to fully address the needs of issuers looking to raise capital. Expanding our information service lineup will be an important measure in line with product enrichment. Meanwhile, our range of derivatives products, narrow in comparison with leading overseas exchanges, will be broadened in response to market demand.

JPX will also look to expand its investor base. In this regard, we must reinforce our marketing activities aimed at global investors. We will nurture personnel to equip them with the skills to effectively communicate the merits of our markets and services to global investors.

All directors and employees at JPX share a common credo that is comprised of four elements: customer first, creativity, credibility, and competency. Based on this credo, each and every member of JPX pulls together toward solving outstanding issues and earning the trust of market users, and I am convinced that our efforts will raise our corporate value. I believe that an individual is not defined by his or her title, but should be evaluated in terms of merit. Irrespective of an employee's length of employment at the company or educational background, what is important is the ability to take action while staying humble to continue learning from others. My goal is to ensure that JPX is a company that values and harnesses employee ability.



About JPX

Aiming to Increase Corporate Value

Special Feature "Power of the Capital Market"

Ensuring the Sustainability of Corporate Value

Financial Data/Corporate Data

Aiming for a Stable Financial Base and Earnings Growth

>>> Taking into account the special characteristics of the securities exchange business model, what indicators do you focus on when looking to increase JPX's corporate value?

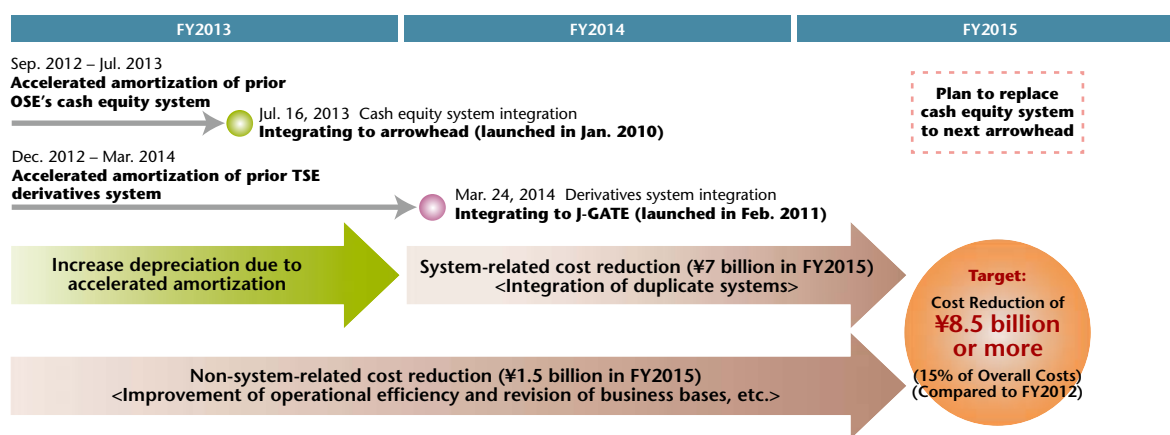
I get the impression that, in comparison with other leading global exchanges, JPX is falling behind in terms of profitability, especially with regards to operating margin and return on equity (ROE), and I think we must improve these. However, one of the characteristics of the securities exchange business is that the main source of income, fees from trading participants, is easily affected by economic conditions and market trends while fixed costs, particularly for system maintenance and depreciation, make up a large portion of our expenses. Given our cost-revenue structure, to increase profitability, we need to diversify revenue sources and control costs. We are constantly looking at streamlining costs, and, while we recognize that our expenses are largely fixed, we try to variabilize them to accommodate changes in our revenue conditions as far as possible to enhance our ability to generate stable earnings.

>>> Cost control is important, but what specific initiatives are you taking?

In our medium-term plan, our target is to reduce costs in FY2015 by ¥8.5 billion or more in comparison with FY2012 through generating merger synergies. This is about 15% of combined pre-merger operating expenses and is comparable to what exchanges overseas have accomplished with similar deals. About ¥7.0 billion in synergies will be derived from the removal of overlapping systems. Other than system costs, we anticipate more than ¥1.5 billion in savings from reorganizing the structure of our administrative and business units. We began implementing our Medium-Term Management Plan about a year ago and are making steady progress toward achieving our objectives.

We are not focusing solely on reducing costs. If we did, we could easily slip into downsizing and shrinking business. Instead, we must always be ready to spend and allocate funds and resources to strategically important areas. In order to do so, we must cut costs wherever possible and constantly review our allocation of resources. In other words, we will continue to control and relentlessly review our costs to create a greater capacity to pursue measures to increase our top line.

Generating Cost Synergy



Note: System-related cost: costs related to system maintenance/operation, depreciation, etc.

Management and Financial Goals¹

	(Billions of yen)	<Reference>
	FY 2015	FY2015 Financial Indicators
Operating Revenues	97.0	ROE ³ 15% (approx.)
Operating Expenses ²	51.5	EBITDA ¥57.0 billion (approx.)
Operating Income	45.5	
Net Income	29.5	

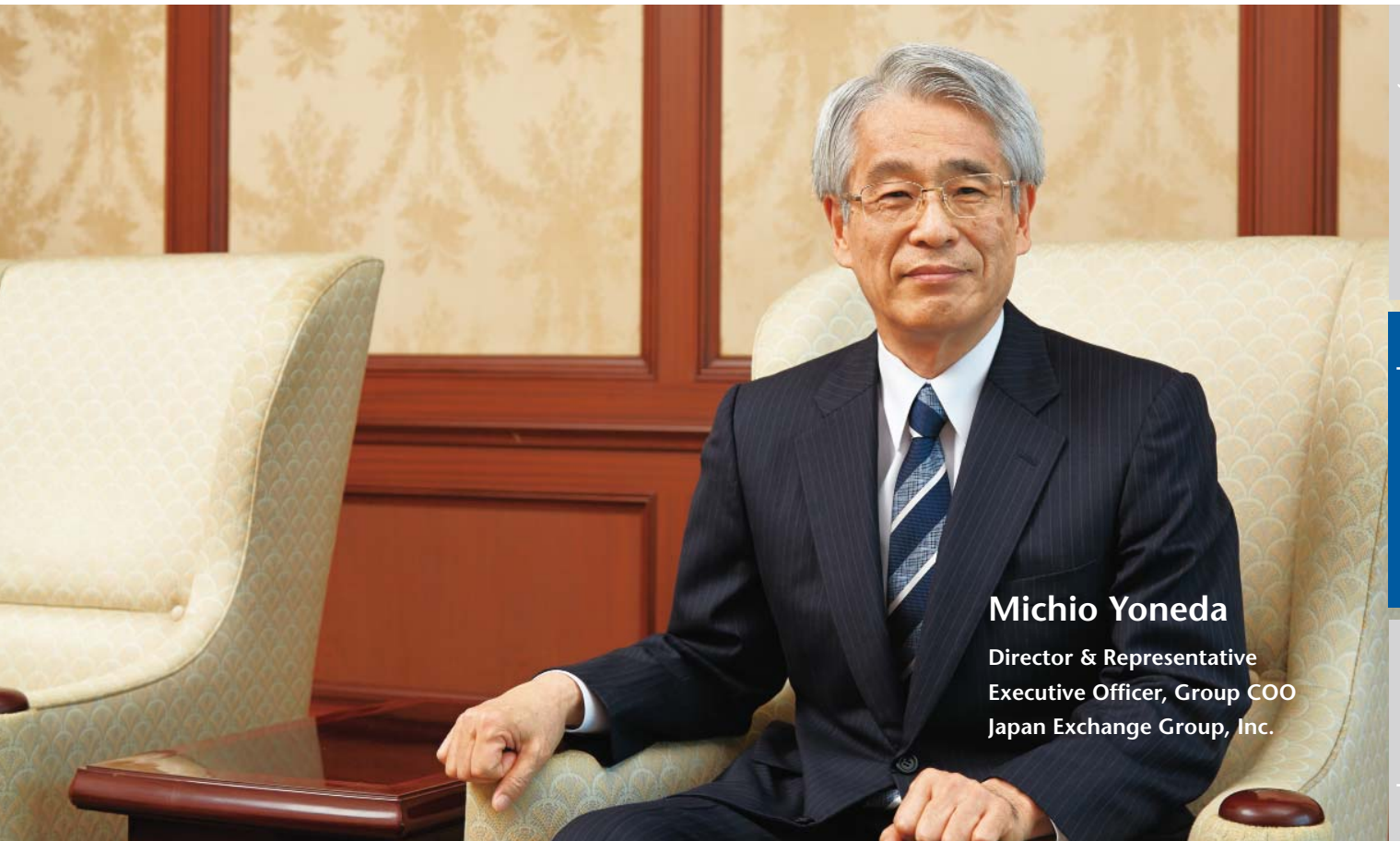
Estimates for Average Daily Trading Value/Volume

	FY2015
Stocks (Auction/Off -Auction Market)	¥2.1 trillion
TOPIX Futures	115,000 contracts
Nikkei 225 Futures (Large & Mini-Total)	234,000 contracts
Nikkei 225 Options	¥41.0 billion
(Derivatives contracts)	(400 million contracts)

Notes: 1. The above management and financial goals are based on the average daily trading value/volume and other figures. The average daily trading value/volume figures were set by JPX based on actual past results, but may be largely influenced by market conditions and other external factors.

2. Due to the scheduled adoption of IFRS from the end of FY2014, "amortization of goodwill" will be excluded from operating costs in FY2015.

3. ROE is calculated excluding special assets for default.



Michio Yoneda

Director & Representative
Executive Officer, Group COO
Japan Exchange Group, Inc.

>>>What are your policies on capital use and shareholder returns?

Maintaining a stable and solid financial base is extremely important for JPX to conduct its exchange and settlement businesses.

Financial stability of the market provider fosters trust and confidence and encourages participation in the market. For this reason, it is essential for JPX to maintain sufficient capital to enable it to address various business risks. These risks may include default compensation risk that materializes when a clearing member becomes insolvent, losses from goodwill impairment, and operational risk. At present, these risks are being covered by about ¥200 billion in capital reserves, and we are looking to increase it by ¥20 billion to ¥30 billion to provide an additional margin of safety. To build this buffer, we currently allocate about 60% of net income to retained earnings and share the remaining 40% with our shareholders. We will maintain this dividend policy for the time being. Once we attain our capital target, we will assess the viability of investing in areas of potential growth and the associated business risks, and consider offering greater returns to our shareholders.

>>>JPX will adopt International Financial Reporting Standards (IFRS) from FY2014 end. What significance does adoption hold?

JPX actively pursues overseas initiatives toward realizing our management vision of becoming “the most preferred exchange in Asia.” Combined with the fact that foreign investors now account for about 36% of JPX shareholders, **we decided to adopt IFRS, which is quickly becoming the global standard for accounting, to make it easier for investors and other market users to compare our financial results with those of our international peers.**

In addition, we recognize that, as a securities exchange, we must take the lead in revitalizing the market. Foreign shareholdings of Japanese equities are rising across the board, and we believe that IFRS adoption by listed companies will make it easier to assess Japanese companies from a global perspective, and, in turn, enhance the appeal of the Japanese market. We are leading by example with the hope that our move will encourage a shift toward IFRS adoption, which will boost the international appeal of Japanese equities.



Akira Kiyota

President & CEO
Tokyo Stock Exchange, Inc.

A More Attractive Market Is Essential for Global Recognition.

>>>With the positive effects of Abenomics and other factors, the Japanese economy has shown signs of renewed vitality. How do you view the current equity market in Japan?

Abenomics set the goal of exiting deflation, which for many years was the cause of stagnation in the Japanese economy. To remedy this, the government has taken decisive, unprecedented measures. The Tokyo stock market reacted positively, with stock prices rising sharply and daily trading value in FY2013 reaching ¥2.9 trillion, almost double the previous year. Trading value in ETFs and REITs also reached record highs. The value of ETF trading, in particular, was the highest in Asia, and ranked fourth worldwide.

Domestic IPO activity has also increased. The number of IPOs was just 19 in FY2009, but in FY2013 this rose to 57, and is expected to grow even more this year. Capital spending by listed companies and new share offerings to raise funds

for business expansion are also on an upward trend, and I can feel the market's growing presence.

In Japan, individual monetary assets amount to a massive ¥1,600 trillion. More than half of this is in cash and deposits. We have been waiting for a long time for these assets to shift into investments and help to revitalize the Japanese economy. The Nippon Individual Savings Account (NISA) program was introduced in January this year, providing tax-exempt accounts for small investments. By the end of March, Japan has seen more than 6.5 million new NISAs investing a total of more than ¥1 trillion. This is a promising sign in the shift from savings to investment.

>>>What would you say are the strengths of Tokyo Stock Exchange from an international perspective?

The level of individual monetary assets in Japan is very substantial, and there are many attractive

companies that possess highly sophisticated technology and offer innovative services. This environment allows Tokyo Stock Exchange to provide a platform for Tokyo to shine at the center of the world's international fund flows.

Tokyo Stock Exchange ranks third and fourth in the world in total trading value and market capitalization of its listed companies respectively. Even in comparison with other global markets, Tokyo has many highly liquid stocks.

Japan's capital market has a history of more than 130 years. Moreover, it is regarded as a reliable market because of the solid foundations laid in Japan's legal and accounting systems, which are mature and transparent, the stable market operations based on these strengths, and the quality of corporate disclosure among other characteristics. Further, the trading rules also offer special quote, sequential trade quote, and price limit mechanisms designed to prevent sudden and sharp price movements, so that investors can feel confident when trading. Unlike the United States, the Tokyo market is not fragmented, and investors can trade without concerns of unequal access to market information. In addition, the trading systems and overall IT infrastructure are designed to meet the highest global standards.

In the course of conducting stable market operations, we provide opportunities for abundant funds to be channeled to growth companies. TSE will strive to continue to be an attractive market for both investors and companies looking to raise capital.

>>>Your Medium-Term Management Plan states that the core strategy for the stock market is "to create a new Japanese equity market." What kind of market are you aiming to create?

For equity markets to fully perform their functions as financial infrastructure, they must be attractive markets where a diverse range of domestic and overseas investors have a strong motivation to invest. Therefore, the most important theme for TSE is to build globally recognized capital markets by making investee companies more attractive, and increasing the convenience of investors.

During the 20 years when the Japanese equity market was stagnant, overseas investors cited their concerns on the Japanese market regarding the weakness of the corporate governance system, and low return on equity. Taking these views into account, TSE thinks it is important for the management of listed Japanese companies to work to increase their corporate value from the perspective of shareholders. Accordingly, the exchange has taken various initiatives over the years to strengthen corporate governance.

One of these is to encourage the appointment of outside directors with the objective of reflecting shareholder views in corporate management. In February 2013, the requirement that companies must endeavor to secure one or more independent, outside directors was added to the exchange listing rules. In addition, under Japan's revised Company Act, companies that do not appoint outside directors are required to provide an explanation as to why they feel this would be inappropriate or unnecessary. Following these regulatory changes, the number of companies with outside directors rose sharply, to more than 70% of the TSE 1st Section.

JPX also advanced another initiative, the development of the JPX-Nikkei Index 400, which features ROE among its selection criteria, to address the issue of capital efficiency. Component companies are first chosen on the basis of their quantitative scores in terms of ROE, operating income, and market capitalization. Qualitative scores are additionally given to companies that appoint two or more independent outside directors, provide disclosure in English, and take steps to adopt International Financial Reporting Standards (IFRS). The aggregate size of investment trusts and ETFs that track the JPX-Nikkei 400 has already exceeded ¥200 billion, and Japan's largest public pension fund, the Government Pension Investment Fund (GPIF), has also adopted it as a benchmark. With increasing use of the index, listed companies are starting to place greater emphasis than before on capital efficiency and profitability.

Moreover, TSE has instituted awards for listed companies that adopt management practices aimed at increasing corporate value from the investors' perspective, such as capital cost.

Executive Message



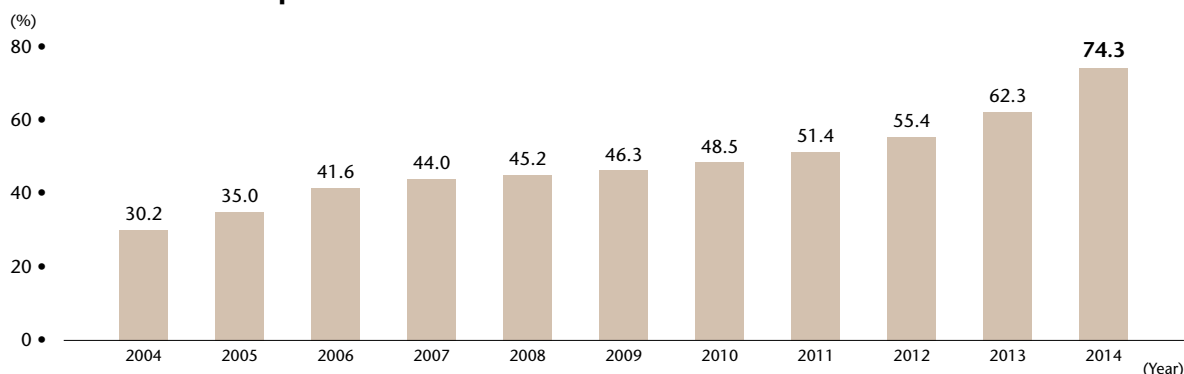
We think that the corporate value of Japanese companies will rise as a result of these initiatives as listed companies conduct management that incorporates shareholders' interests with effective governance mechanisms in place. This will make the market more attractive to investors and give it greater vitality.

Along with initiatives to make companies more attractive, it is also important to make the markets more convenient through refining the trading rules.

Specific initiatives include the tick size pilot program, implemented in stages in January and July this year, to introduce smaller increments for quotes of TOPIX100 stocks. In markets overseas, tick sizes are set in 0.01% to 0.05% increments, but in the Tokyo market the minimum price move was 1% or 0.5% for some issues. For highly liquid stocks, the smaller the tick size, the smaller the gap between the highest selling price and the lowest buying price. This would allow buyers to purchase at lower prices and sellers to sell at higher prices. In fact, after the introduction of these smaller tick sizes, there has been evidence of improvements in execution prices for the applicable stocks. The new system has been an effective measure, especially for investors who intend to hold stocks for the medium-to-long term.

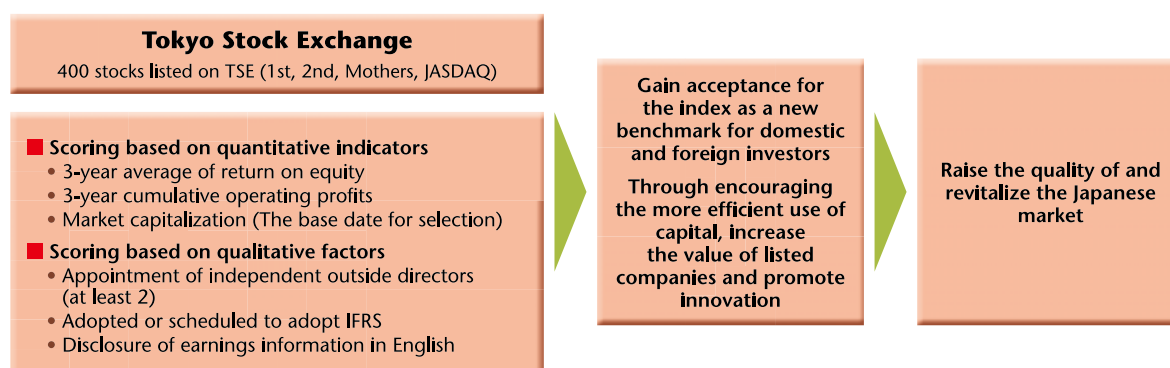
This is also the perspective from which we are considering extending our trading hours. TSE's current 5-hour trading day is considerably much shorter than those of other leading global exchange markets. We must consider what we can do to expand trading opportunities for investors as the operator of the exchange market.

Ratio of 1st Section Companies with Outside Directors



* Figures for years prior to 2014 are based on (i) corporate governance reports and (ii) research on corporate governance of the listed companies conducted by the Japan Association of Corporate Directors. The figures for 2014 are based on corporate governance reports of listed companies as of July 14, 2014.

JPX-Nikkei Index 400



>>>What specific initiatives will you take to increase the attractiveness of the Japanese equity market?

JPX will continue to actively implement policies to increase the corporate value of Japanese companies. In terms of corporate governance, the Japanese government, in its “Japan Revitalization Strategy” issued in June 2014, states that to exit deflation, it will be necessary in the medium-to-long term to raise profitability and productivity and thereby improve earning capabilities. Strengthening corporate governance will be important toward achieving this. Specifically, TSE is to draft a Corporate Governance Code. Together with the Financial Services Agency, we will convene a council of experts and prepare the Code in time for the general shareholders’ meeting season in 2015.

We believe that Japanese companies should incorporate the shareholder perspective into their business management. By building a market that reflects this perspective, we will succeed in creating a new Japanese stock market.

We also believe that continuing to encourage IPOs is an important theme. Providing support for the growth of newly emerging companies will raise the industrial metabolism of the nation to support economic development and allow for new and attractive investments from the market’s standpoint. Along with the combination of the exchanges, JPX

has consolidated the departments in charge of promoting new listings. This newly formed unit is responsible for sowing the seeds among companies that do not yet meet listing requirements, and providing assistance according to the company’s stage of growth to help transform them into IPO candidates. After they list, JPX will also continue to support their growth. Through these stage-by-stage activities, we will work to discover, cultivate, and increase the number of attractive listed companies.

Further, to achieve sound market development, the participation of a diverse range of investors with different investment styles is important. To achieve this, JPX is working to expand its base of retail investors. TSE is holding seminars as part of its “+YOU Project” nationwide stock caravan activities, which are targeted at prospective retail investors that have little or no investment experience. The caravan seeks to inform potential investors about the importance and attractiveness of investing. Participants in these seminars have commented that they now understand the meaning and value of investing. Along with the improvement in the market conditions last year and the introduction of the NISA system, we get the impression that retail interest is growing. We believe that building on our activities will help to encourage individuals to turn actual interest into real investments.

Medium-Term Management Plan (FY2013–FY2015)

Creation of a New Japanese Stock Market
Proactively Support Adoption of JPX-Nikkei index 400
JPX will engage in initiatives to increase awareness of the new index’s attributes and merits and improve its penetration through society with the aim of increasing recognition and promoting use by public pensions, etc. (FY2014)
Enhance Corporate Governance, Promote IFRS
For the improvement of attractiveness of the Japanese stock market from the domestic/overseas investors’ perspective, JPX will enhance the improvement of corporate governance of listed companies and promote the use of IFRS.
Promote IPOs
JPX will further support new listings to accelerate the provision of growth funds via the capital market, with the aim of supporting the Japanese economy’s recovery.
Propose Policy from a Market-Based Perspective
Based on the discussions of the government’s “Panel for Vitalizing Financial and Capital Markets” last year, JPX will propose specific policies toward revising current regulations and tax rules and positioning the Tokyo market as an international financial center. (FY2014)

Showcasing Japan's Derivatives Market to the World

>>>FY2013 was marked by market integration. What are your thoughts looking back on this period?

Following the integration of the cash equity market in July 2013, the derivatives market of Tokyo Stock Exchange was integrated into Osaka Securities Exchange in March 2014, and we changed our trade name to Osaka Exchange, Inc. (OSE). The transition was smooth, and systems are operating stably.

Building on this market integration, we have taken steps to expand product offerings, including the introduction of CNX Nifty futures and re-launch of the super long-term (20-year) JGB futures market. Greater convenience for investors is another focus behind unifying the trading rules. One such initiative is moving the close of the TOPIX and bond futures and options markets from 11:30 p.m. to 3:00 a.m. the following morning.

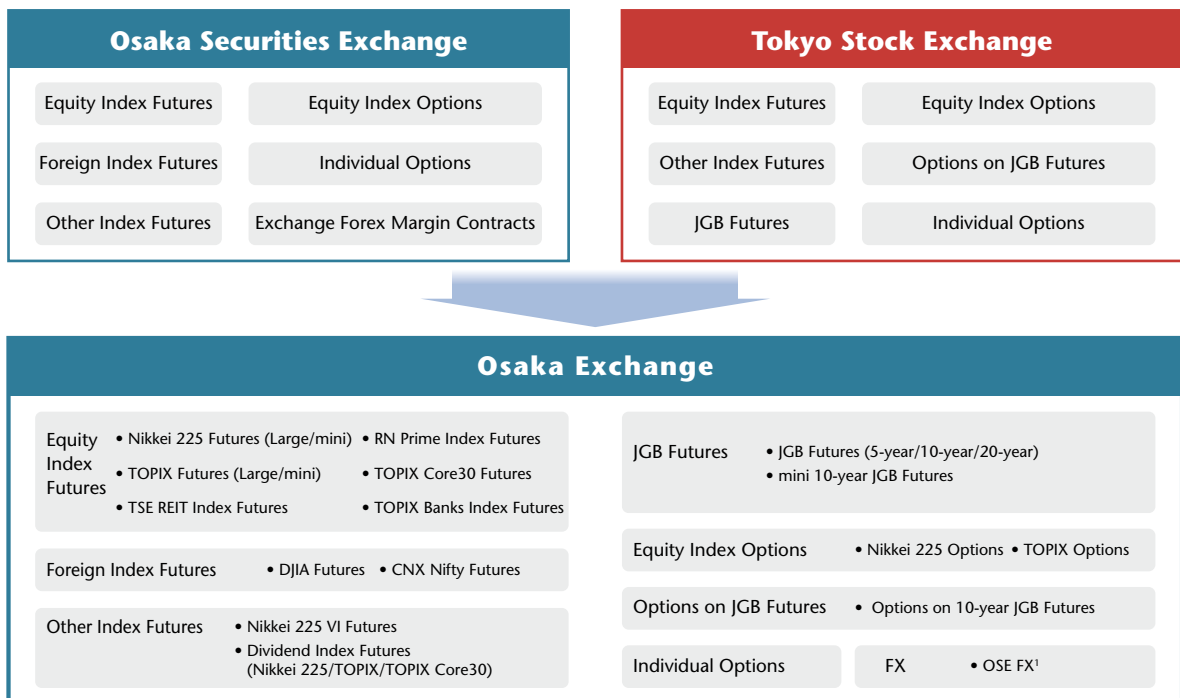
An earlier move to integrate clearing functions in July 2013 led to the unification of the margin

deposit systems for both exchanges, which improved capital efficiency for investors. These initiatives mark a major milestone for JPX and signal a fresh start for OSE.

>>>Major products such as Nikkei 225 futures and options are also traded on overseas exchanges. How do you view this competitive environment?

Along with OSE, Nikkei 225 futures are also traded on the Chicago (CME)¹ and Singapore (SGX)² exchanges. Osaka offers the deepest liquidity with its 70% share of trading, while SGX and CME share the remaining 30%. Although we are in competition with other exchanges, the existence of markets that facilitate global trading helps to create arbitrage opportunities, further increasing overall liquidity. I believe that this strategy can also be applied to other products going forward. In particular, I would like to see the TOPIX futures market take the same route toward becoming more global.

Integration of Derivatives Market at JPX (March 2014)



Note: 1. OSE-FX will cease trading on October 23, 2014 (Thursday). (The trading session ends at 6:00 a.m. on October 24, 2014 (Friday).)

Hiromi Yamaji

President & CEO
Osaka Exchange, Inc.



As the home market, it is important for OSE to further cement its competitive advantage and appeal to global investors, while enhancing convenience for investors.

The competitive edge of an exchange is determined by the size and diversity of its product lineup, whether investors with different risk profiles participate, and the convenience of its systems and trading rules. A wide and varied product lineup allows investors to turn to ready opportunities offered by other products.

Plans are in place for JPX-Nikkei 400 futures to be listed on OSE in November 2014. With criteria for inclusion in the JPX-Nikkei 400 largely based on ROE, together with corporate governance standards of appointing outside directors, among others, the index enjoys a high level of interest from overseas

investors and will contribute to bringing in new investors to OSE.

Moving forward, we are looking to promote the appeal of Japan's derivatives market as a whole with our expanded product lineup after the addition of JPX-Nikkei 400 futures.

In addition, the ability of the trading system to meet user needs is also an important element in our strategy. Along with processing speed, systems must be stable and reliable. In order to strengthen our competitiveness, we have already begun taking steps to develop a new systems platform to replace the current J-GATE system and are aiming for launch in 2016.

Notes: 1. Chicago Mercantile Exchange
2. Singapore Exchange



The Atrium Vision on the first floor of the Osaka Exchange

>>>JPX ranks 3rd worldwide as a stock market, but is 14th globally and 7th in Asia in terms of derivatives market trading (2013 FIA rankings). Even as we recognize the potential for future improvement and growth, what are your thoughts on the situation?

By product, OSE's Nikkei 225 minis and Nikkei 225 options, respectively, rank 4th and 9th globally for equity index futures and options trading. OSE offers listed products that appeal to investors the world over. While there are a variety of methods to increase trading volume, we recognize that bolstering our product lineup compared with other global exchanges is vitally important. Exchanges such as CME and ICE,³ which rank highly in terms of derivatives trading volume, are comprehensive exchanges that trade a wide range of products from finance to commodities. Meanwhile, approximately 95% of OSE's total trading volume is made up of equity index-related products. Commodities exchanges in Asia, growing rapidly on the back of high trading volume, are asserting their presence. Asia is fast becoming the world's largest consumer of commodities such as energy and grain. In Japan, the Abe administration has incorporated the concept of establishing a comprehensive exchange into its new growth strategy. The need to set up a comprehensive exchange and strengthen the competitiveness of Japan's markets is becoming a common cause. As

we laid out in our Medium-Term Management Plan, JPX is also looking to enter the commodities field. Entry into the field by OSE will increase investor convenience and facilitate more efficient investment. As we strive to fulfill this role, we are building a new derivatives trading platform which can accommodate commodities trading.

Naturally, we will continue to promote existing Nikkei 225, TOPIX, and JGB products, while at the same time expanding our lineup through the development of new products. Striking a good balance between strengthening existing products and introducing new products will bolster overall trading.

Cultivating investors is also vital to expanding the derivatives market. There are many major overseas investors who do not yet utilize OSE. With this in mind, we will take proactive steps to approach these investors and encourage them to trade on our markets. By introducing new products and cultivating new investors, we will diversify and become less dependent on market conditions. I am confident of our ability to increase the volume of derivatives trading at OSE.

Further, as a premier exchange, I believe it is our responsibility to raise the general understanding of derivatives in Japan. For example, the volume of derivatives trading by overseas investors is higher than that for stocks, but the share of Japanese entities, especially institutional investors, remains low.

Medium-Term Management Plan (FY2013–FY2015)

Expansion into Commodities Field

- JPX will continue coordinating with related organizations to plan for expansion into the commodities field.

Grand Design for Next-Generation Derivatives Market

- JPX will select a developer for the next-generation derivatives system. [Selected in July 2014]
- JPX will determine what products and rules will be introduced at the new system's launch. [mid-FY2015]

Listing of New Derivatives Products

- JPX-Nikkei 400 Futures will be listed. [Trading will begin in fall 2014.]
- JPX will develop products to meet OTC market needs.

Promotion of Increased Trading by Domestic Institutional Investors

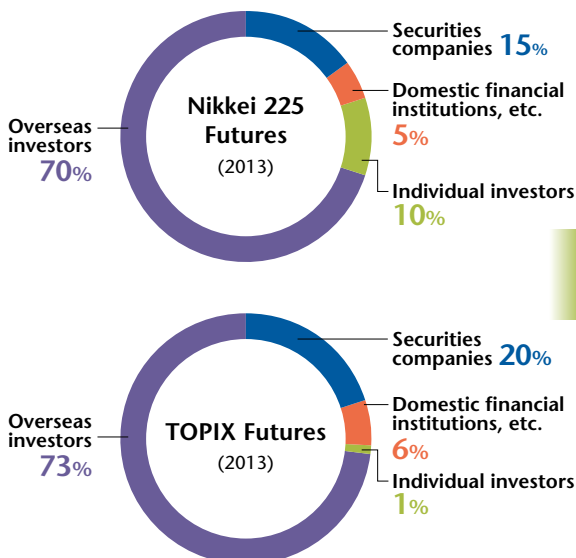
- JPX will enhance promotional activities using TSE/ OSE's client network and know-how to encourage increased trading from domestic institutional investors.

Retail investors account for more than 10% of trading in Nikkei 225 futures and more than 20% of Nikkei 225 minis, which cannot be considered low. In contrast, domestic institutional investors account for only about 6% of trading in TOPIX futures, in spite of the fact that TOPIX is used as a benchmark index. In Japan, derivative products are viewed even by institutional investors as difficult to understand. Therefore, we need to adopt a long-term approach to change this perception. We plan to hold seminars and post information online, tailoring it to specific

investor types, such as institutional investors, corporate managers administering pension funds, and retail investors. Building on these initiatives, **we will enhance our presence and standing in derivatives by providing a diverse range of products across multiple asset classes to investors in Japan and around the world. Our goal is to build a market that makes JPX synonymous with derivatives trading in Asia.**

Note: 3. Intercontinental Exchange

Percentage of Trading in Major Products by Type of Investor



Initiatives to Expand the Investor Base

Overseas Investors

Stepping up activities to attract investors who have not entered the market
Expansion of the market maker system

Domestic Financial Institutions, Etc.

Stepping up daily communication, including research related to demand
Providing information, including convening of seminars

Individual Investors

Educational and enlightenment activities via websites, seminars, and other means



Takafumi Sato

Governor and President
Japan Exchange Regulation

Creating a Market that Fosters Confidence and Trust

>>>What is your view of the role of Japan Exchange Regulation (JPX-R) within JPX?

For investors to be able to trade on exchange markets with confidence, the market must be transparent, fair and reliable as well as convenient and efficient.

JPX-R endeavors to maintain fairness and reliability in the Japanese capital market as the quality control center of JPX.

For example, when companies are listed, they have to be examined as to whether they are sufficiently sound for investment by the general public. Moreover, after listing, companies must conduct themselves appropriately in their operations, provide accurate and timely disclosure on financial performance and other major developments, and be subject to constant scrutiny. From the perspective of day-to-day trading, a wide range of investors must be able to participate in the market with the confidence that no unfair trading, such as insider trading

or market manipulation, goes undetected. They must be assured that perpetrators of unfair acts will be discovered and punished in a manner commensurate with the severity of the offense. Securities companies must also be subject to regular inspections, given their importance to the integrity of market as intermediaries standing between end investors and the exchanges.

JPX-R fulfills these mandates and protects the public good and investors through self-regulatory activities conducted with a high degree of neutrality and independence.

>>>JPX-R is part of JPX. Do you view this position as a strength?

Self-regulatory activities are closely related to the operation of an exchange and should not be conducted far from the exchange. A high degree of professionalism is required, and it is necessary to follow market developments in close cooperation with the

market operators. Meanwhile, JPX is among the many demutualized exchanges we see in recent years, and it also has to advance its strategy and raise profitability as a listed company. To enable fair and neutral judgment in self-regulatory operations in this environment, self-regulation should be conducted with a certain distance from the profit-seeking pursuits at the exchanges.

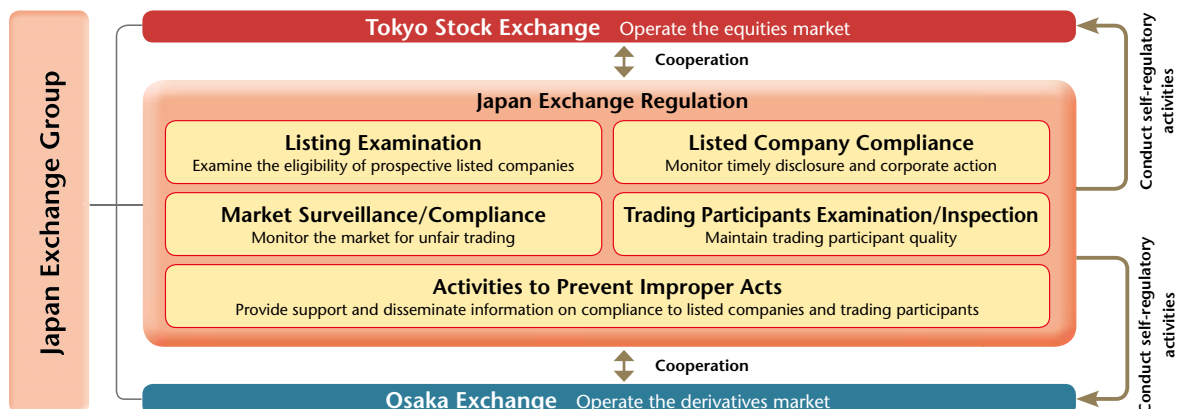
In line with this rationale, JPX established JPX-R as a separate entity from TSE and OSE within the corporate group. The board of governors, the decision-making body at JPX-R, is made up of a majority of outside governors, further ensuring independence from the market operator. We see a variety of self-regulatory arrangements around the world, but we think JPX provides a unique and well-balanced combination of close proximity to exchange operations and neutral, independent judgment. By building trust and confidence in the market, JPX aims to attract investors looking for a reliable platform to manage their assets and companies seeking to raise funds on a trusted venue. JPX-R will move forward in cooperation and collaboration with our fellow subsidiaries toward attaining these overarching goals for the corporate group.

>>>What initiatives are you taking to create a market that fosters confidence and trust? With the market evolving daily, JPX-R must be ready to respond flexibly to changes in the operating environment to provide appropriate self-regulation.

For example, new types of trading methods, such as algorithmic trading and high frequency trading, have emerged. To identify unfair trading practices among these transactions, JPX-R must be equipped with the necessary knowledge, personnel, and computer systems, and constantly strive to enhance our abilities. We must become familiar with new products and trading methods as they develop and take steps to respond effectively.

In addition, the globalization of securities markets has also given rise to many forms of cross-border transactions and the corresponding need to build cooperative frameworks and systems to rein in improper acts. In Japan, we maintain close contact and cooperation with our regulatory authorities, Japan’s FSA, and the Securities and Exchange Surveillance Commission, and we acknowledge the importance of collaborating with other overseas exchanges and self-regulatory organizations.

We also recognize the need to act appropriately to enforce exchange regulations post-event and prevent undesirable behavior in the market. To ensure investors and other market participants understand the rules, and to heighten their awareness of operating standards and norms, we are focusing on making information available through seminars and lectures. Our Principles of Equity Finance, a publication released in October 2014, is one example.



Providing Safe and Efficient Post-Trading Processing as We Expand Our Business Domains

>>>What role does Japan Securities Clearing Corporation (JSCC) play in the market?

JSCC's role is to provide market participants with post-trading processing to create a safe and efficient trading environment.

JSCC performs two specific roles. One of these is to act as the counterparty to each side of the transaction and provide a settlement guarantee to the counterparties in cash and derivatives markets. JSCC, acting as a central counterparty, provides a safe trading environment where market participants do not have to be concerned with counterparty credit risk. The second role, for cleared securities transactions, is to calculate the difference between the number of securities bought and sold and net payments and receipts for each counterparty, thereby allowing a single payment per counterparty. This is known as "netting," and makes settlement for a large number of trades among different counterparties much more efficient.

JSCC was launched in 2003 as Japan's first clearinghouse for listed stocks.

Since then, JSCC has expanded the scope of its clearing functions to include cash equity products traded on exchanges and Proprietary Trading Systems (PTSs), listed derivatives, OTC derivatives, including credit default swaps (CDSs), and interest rate swaps (IRs), as well as OTC traded Japanese government bonds (JGBs). These activities help ensure the market reliability of not only exchanges but also the entire financial market, and play an extremely important role in the financial market infrastructure.

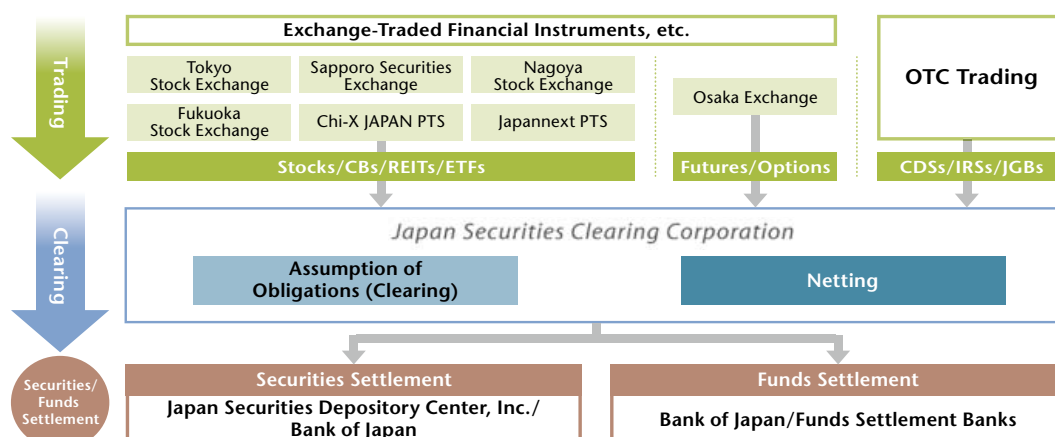
>>>How has JSCC's business environment changed recently, and how has JSCC adjusted its initiatives?

JSCC has expanded its clearing services in the wake of global regulatory reform since the 2008 financial crisis.

In the area of OTC derivatives, JSCC enjoyed an early start, successfully launching services for CDSs and IRs that brought efficiency, safety, and reliability to the OTC derivatives market.

Moreover, JSCC was involved in the establishment of the Japan Government Bond Clearing Corporation (JGBCC) from the beginning to provide clearing for OTC traded JGBs. Through its involvement, JSCC helped ensure the operational efficiency of JGBCC's activities and efficiency for market participants. After the financial crisis, as worldwide attention turned to strengthening clearing, even in the relatively unaffected Japanese financial markets, JSCC merged with JGBCC in October 2013 to further reinforce its clearing structure.

The growing importance of clearinghouses has also brought about moves toward tighter regulation. One of these was the formulation of international risk management standards, the Principles for Financial Market Infrastructures (FMI Principles). Japanese regulators also established supervisory guidelines for clearinghouses. In response, JSCC has substantially strengthened its internal systems for risk management, and reviewed its collateral system, alongside other measures.





Hironaga Miyama

President & CEO
Japan Securities Clearing
Corporation

>>>With JSCC steadily expanding its clearing services, what challenges do you expect ahead?

In our Medium-Term Management Plan, JSCC has made the expansion of its clearing services as one of its objectives. This is in tune with JPX's core strategies.

In the medium term, JSCC will substantially expand its clearing services to include foreign-denominated IRS and other products. Also, JSCC is working to increase efficiency and safety for market participants through the introduction of cross-margining that aims to reduce collateral requirements by offsetting risks among yen-based interest rate-related products. Looking ahead, we want to continue to actively expand our services.

In addition, as a result of financial regulatory reforms worldwide, JSCC also has to comply with overseas regulations for clearing trades involving global foreign financial institutions in Japan. JSCC recognizes compliance with overseas regulations as a priority issue. Specifically, to meet regulations in

the United States, JSCC must register as a Derivatives Clearing Organization (DCO), while, in Europe, it must be recognized as a Third-Country Central Counterparty (TCCCP). JSCC is moving steadily towards compliance with these regulations to increase access for market participants.

We believe it is important for JSCC, as a vital part of the clearing and settlement infrastructure, to create efficient frameworks.

Since clearinghouses also compete on the global stage, JSCC must provide reliable and safe infrastructure for all market participants. At the same time, it is also important to create efficient frameworks and become the preferred clearinghouse for its customers.

As we expand our service offerings, some have become concerned with the concentration of risk in JSCC. This serves to highlight the increasing importance of JSCC in systemic risk, and we at JSCC are making every effort to reinforce our capabilities and ensure sound risk management.



Yoshinori Suzuki

Executive Vice President & CIO
Japan Exchange Group, Inc.

Our IT Strategy—Enhance the Exchange’s Competitive Edge by Providing Infrastructure that Improves Accessibility and Offers World-class System Performance

>>>Securities exchanges are sometimes referred to as a systems industry. What is your view?

The role of an exchange is to provide a place that brings together buyers and sellers. Today, that “place” is created by IT systems, and system quality directly impacts exchange competitiveness.

Information technology lies at the foundation for driving the exchange business forward and creating new markets. Rapid advancements in IT allow companies, investors, and other market users to choose the exchange that offers the environment most conducive for investment as user needs become increasingly complex and sophisticated. To be the most preferred market that satisfies the needs of diverse users, we need to continuously develop and improve our system infrastructure, and enhance the

convenience of our markets. Exchanges are also part of the critical infrastructure for the financial services industry, so stable operations, exceptional reliability, and scalability are of utmost importance. JPX identifies IT as its source of competitiveness and the key to maintaining its edge in the industry. We incorporate the latest in IT to provide highly reliable and convenient market infrastructure and services.

>>>How would you rate JPX’s international competitiveness in terms of convenience, processing capacity, and reliability?

Since its establishment on January 1, 2013, JPX has gone on to integrate market operations onto dedicated trading platforms, with the consolidation of the cash equity market in July 2013 and then the derivatives market in March 2014.

The arrowhead system for the cash equity market handles more than 3,400 listed companies, while the J-GATE system for the derivatives market hosts the leading futures and options contracts in Japan, such as the Nikkei 225, TOPIX, and 10-year government bonds. These systems underpin markets that are among the best in the world. The arrowhead system, for example, is currently able to process trades within one millisecond from receipt of the buy/sell order to notification of receipt, providing reliable and prompt trading for participants employing varied investing styles. Some overseas exchanges offer even higher processing speeds, but arrowhead trading servers are triply redundant, ensuring not only availability but also the capacity to be scaled up in as short as one week, if necessary. The system is designed with a focus on achieving a comprehensive balance among reliability, scalability, and processing speed. We also have a systems operations department that monitors the entire system 24/7 all year round to ensure stable operations.

I believe that from the comprehensive perspective of convenience, reliability, and scalability, our systems and services are world-class.

>>>Are there plans to upgrade or launch new systems at JPX?

We plan to upgrade arrowhead in September 2015 and launch a new derivatives trading system in 2016.

The upgrades to arrowhead will increase order processing capacity from the current 137 million trades per day to more than 200 million and halve order processing times from one millisecond to 0.5 milliseconds.

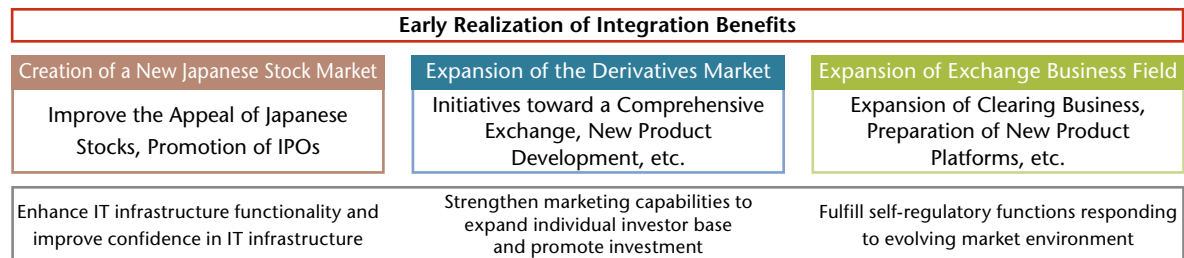
We will be launching a new derivatives trading system that will allow us to handle a broader range of products (commodities derivatives and OTC products) and enhance risk management functions among other features.

Even though global data traffic is increasing exponentially, advancements in fiber optic technologies will dramatically reduce communications costs, and we can expect access to JPX to become easier and more global. In the long term, we may even need to incorporate communications infrastructure into the trading system.

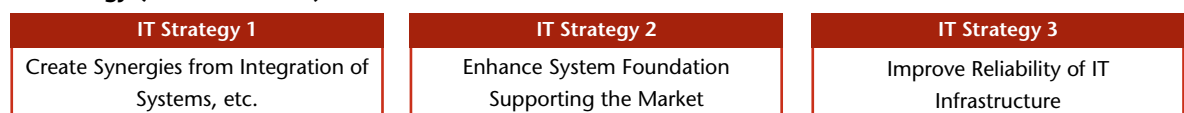
The source of an exchange's competitiveness lies in the strength of its system infrastructure, and, ultimately, the capabilities of its IT department. JPX's IT department is always ready for a challenge and constantly upgrades itself, building on its skills and knowledge through training and experience from system operations and development.

We will continue to take bold steps to strengthen and raise the capabilities of our IT department.

Medium-Term Management Plan (FY2013-FY2015)



IT Strategy (FY2013-FY2015)



Japan Exchange Group's Basic Vision for IT Strategy

About JPX

Aiming to Increase Corporate Value

Special Feature "Power of the Capital Market"

Ensuring the Sustainability of Corporate Value

Financial Data/Corporate Data

Overview of Medium-Term Management Plan (FY2013–FY2015)

JPX prepared its Medium-Term Management Plan (FY2013–FY2015)¹ in March 2013 and is implementing initiatives to realize its vision of becoming “the most preferred exchange in Asia.”

JPX aims to secure the position of comprehensive superiority among Asian markets by expanding the functions of its markets, conducting stable market operations, and establishing an even stronger management base. Through the effective performance of its mature market infrastructure and teamwork with exchanges in the rest of Asia, JPX is working to support the growth of the economies of Asia and establish its presence in the Asian market.

Note: 1. Updated in April 2014

OUR VISION

“The Most Preferred Exchange in Asia”

This plan was formulated as a core strategy to fulfill both JPX’s responsibility to shareholders and its social responsibility of supporting Japan’s capital market as the single “Japan Exchange.”

Key 1

Creation of a New Japanese Stock Market

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

Improve Appeal of Japanese Stocks

- Develop new stock indices
- Improve corporate governance
- Renew arrowhead
- Revise tick sizes/trading hours
- Propose policies to improve market functions
- Expand ETF/REIT products

Promote IPOs

- Support company growth through IPO promotion

Key 2

Expansion of the Derivatives Market

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

Comprehensive Exchange/ New Product Development, etc.

- Expand into commodity derivatives fields
- Enrich product lineup
- Dynamically improve rules coinciding with integration
- Plan for next-generation derivatives system

Key 3

Expansion of Exchange Business Fields

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

Expand Clearing Business

- Increase use of OTC derivatives clearing

Prepare New Product Platforms

- Realize a listed infrastructure market
- Invigorate the PRO-BOND market

Early Realization of Integration Benefits

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

Asian Strategy (Create business opportunities in Asia)

Management and Financial Goals¹

	FY2015 (Goal)	<Reference>		FY2015 Financial Indicators	
Operating Revenue	¥97.0 bil.	Capital Investment (FY2013–FY2015)	¥40.0 bil.	ROE ³	15% (approx.)
Operating Expenses ²	¥51.5 bil.			EBITDA	¥57.0 bil. (approx.)
Operating Income	¥45.5 bil.				
Net Income	¥29.5 bil.				

Notes: 1. The above management and financial goals are based on the average daily trading value/volume and other figures. The average daily trading value/volume figures were set by JPX based on actual past results, but may be largely influenced by market conditions and other external factors.

2. Due to the scheduled adoption of IFRS from the end of FY2014, “amortization of goodwill” will be excluded from operating costs in FY2015.

3. ROE is calculated excluding special assets for default.

Medium-Term Management Plan

WEB

<http://www.jpjx.co.jp/en/investor-relations/management-information/midterm-business-plan.html>



Special Feature
“Power of the Capital Market”

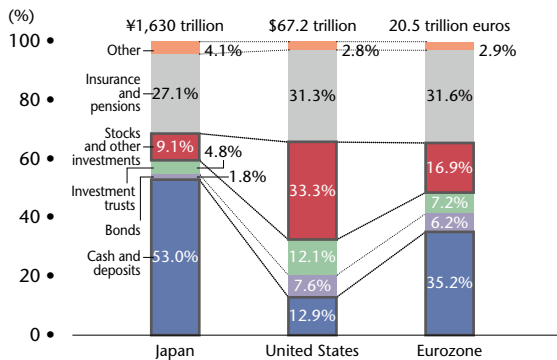
Supporting Economic Growth through the Capital Market

Household Asset Allocation in Japan

Japan is a mature economy with a shrinking and aging population. In such a society, it will become increasingly important to mobilize assets to lay the foundations for further growth for the next generation. Japan is home to abundant household financial assets amounting to more than ¥1,600 trillion, but the current state of asset allocation is far from desirable. Comparing the household asset allocations among Japan, the U.S., and the Eurozone, despite its deep reserves, Japan's cash and deposits ratio stands at 53.0%, while these are 12.9% and 35.2% for the U.S. and the Eurozone. On the contrary, while stocks and other investments in the U.S. and the Eurozone reach 33.3% and 16.9%, they fall to 9.1% in Japan. The trend highlights two challenges for the Japanese economy and society.

Household Asset Allocations

(As of March 2014 for Japan and the U.S., as of December 2013 for the Eurozone)



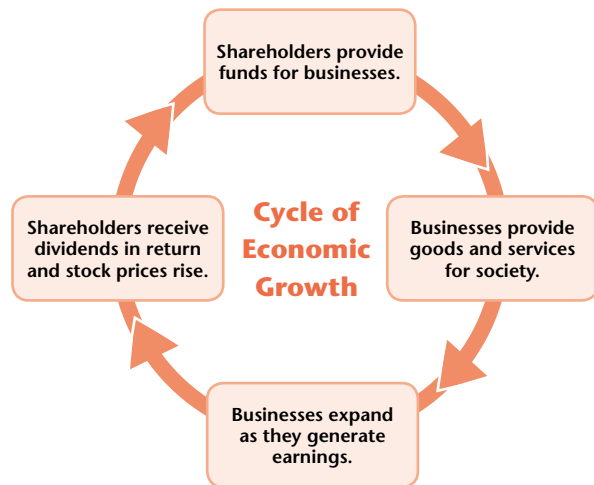
Note: "Other" is the remainder of monetary assets after exclusion of cash and deposits, bonds, investment trusts, stocks and other investments, and insurance and pensions.

Source: Bank of Japan, *Flow of Funds—Overview of Japan, U.S., and the Eurozone* (2014)

Importance of Asset Allocation

The first challenge is to encourage the flow of Japanese household financial assets into the real economy as growth capital. With cash and deposits accounting for the larger part of household asset allocations, the Japanese economy will receive a significant boost even if just a small portion of this is channeled into investment. By utilizing funds raised in the market to expanding production or adding corporate value, companies can grow their businesses, eventually leading to job creation and wage increases. Generating a virtuous economic cycle by encouraging a shift from savings to investment is an imminent issue.

Driving the Economic Growth Cycle through Asset Utilization



On the other hand, as employment structures and social security systems are reformed to tackle Japan's aging society and declining birthrate, one can no longer solely rely on existing systems to secure the funds necessary to lead a comfortable life. People must recognize that it is becoming more important to take charge of the future by managing financial assets according to the needs of different life stages. In order to facilitate this, a sound grounding in financial and economic literacy is essential toward cultivating the ability to make calculated investment decisions.

Improving Economic and Financial Literacy

To overcome these challenges, JPX is actively engaged in various initiatives to improve the economic and financial literacy of individuals and encourage the flow from savings to investment.

Specifically, the +YOU Project provides new investors with information that motivates them to invest and consider investment opportunities. Meanwhile, the JPX Academy offers educational courses with more practical knowledge of products and investment methods.

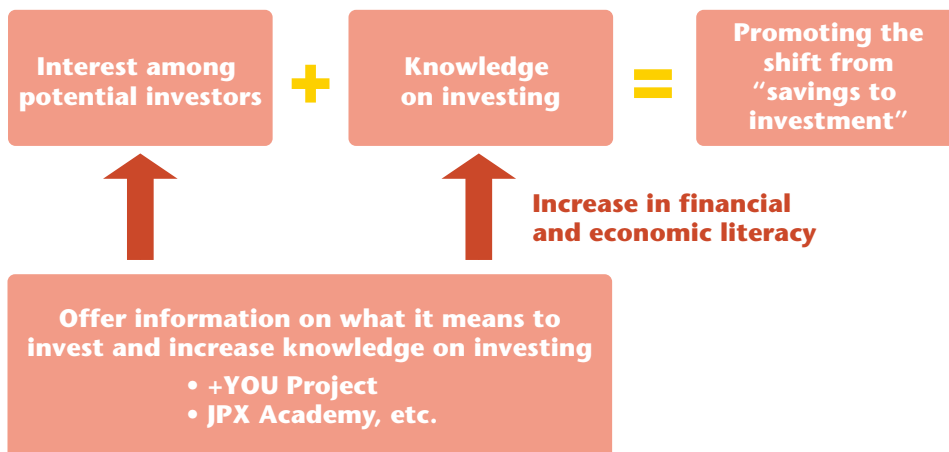
A nation’s economy is the result of the business activities of all corporations and the consumption activities of every individual. Investing in a company means entrusting one’s own assets to the company in support of their ideas and efforts. Through our activities, JPX provides the public with the information they need to proactively participate in the market. By encouraging a shift from savings to investment, we cultivate a new generation of investors who will contribute to economic growth in Japan.

Creating an Attractive Capital Market

Other than encouraging the public to participate in the capital market, as a market operator, JPX is actively engaged in various efforts to improve the appeal of investing in the market. We compute and publish the new JPX-Nikkei Index 400 to raise corporate awareness of capital efficiency, contribute to greater management transparency through strengthening corporate governance, and encourage high-growth companies to participate in the capital market.

On the other hand, there are challenges that are beyond the scope of exchange rules that require reforms in the legal framework. Thus, it is essential to gain the understanding and support of various stakeholders, such as government officials, listed companies, and other market users, to ensure the success of such measurements in enhancing the attractiveness of the market. In line with this initiative, we led workshops with industry professionals and experts to share views on important topics in revitalizing the capital market, and published a summary of the discussions as “Policy Recommendations from JPX Financial and Capital Market Workshop.” We will continue to share our views with the general public on how to utilize the capital market and strive to overcome pertinent issues by continuing to compile policy recommendations.

Initiatives to Encourage Participation in the Market



Column 1

+YOU Project in Support of the Japanese Economy

Nationwide Caravans

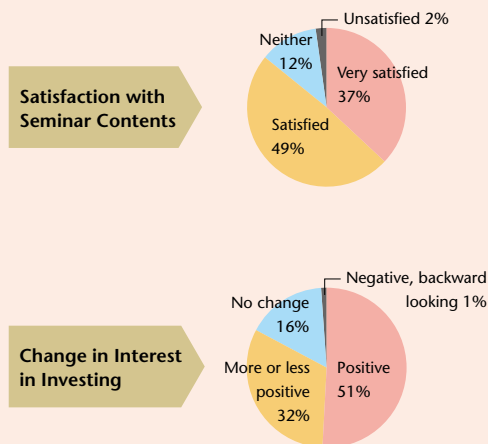
The nationwide caravan initiative involves holding seminars to communicate the meaning, significance and appeal of investment to new and potential investors. We invite influential speakers to provide seminars to participants, including those who had no interest in investing, with a better understanding of what it means to invest.

In FY2013, 47 seminars were held for a total number of 4,600 participants, surpassing the annual target of 3,000. Surveys on the seminars revealed that 86.4% of the participants were satisfied with the contents of the seminar, and 83.2% said that they felt positive and more or less positive to invest.



Meeting held during the Support Japan Nationwide Caravan

Results of Questionnaire Survey on FY2013 Nationwide Caravan (Total of 47 times)



Looking at Companies through Theme Issues

JPX selects and publicizes “theme stocks” based on particular themes or indicators to generate interest in investment for individual investors.

Following the lists of theme stocks announced in FY2012, a total of 26 issues were selected as “Nadeshiko Brand” issues in FY2013 based on the theme of empowerment of women 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 to promote the empowerment of women from the perspective of revitalizing the economy.

Issues are selected based on criteria determined by the newly established “Committee to study scoring criteria for selecting enterprises as the Nadeshiko Brand.” Made up of experts on investment and human resources utilization, the committee was established to define the scoring criteria and improve the transparency of the scoring process.



“Nadeshiko Brand” issues were announced in March 2014 in the “Symposium for the Commendation Ceremony for the Diversity Management Selection 100 and the Announcement of Nadeshiko Brand Issues.”

“Nadeshiko Brand” companies for FY2013 (26 issues) **WEB**

<http://plusyou.tse.or.jp/theme/005/>



For further details regarding the +YOU Project, please access the Tokyo Stock Exchange website and click on the “+YOU Special Site.”

+YOU Special Site **WEB**

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

Column 2

Policy Recommendations from JPX Financial and Capital Markets Workshop

In its Medium-Term Management Plan (FY2013–FY2015), JPX laid out its future vision of becoming “the most preferred exchange in Asia.”

Demonstrating industry leadership, JPX led two workshops with financial professionals and experts in August and September in 2013 to look beyond exchange measures and discuss how to improve the appeal of the Japanese exchange market from a broad perspective. The discussions were summarized and published as policy recommendations.

Specifically, the workshop identified “Improving the Japanese Stock Market’s Appeal” and “Harmonized Growth with Asian Markets” as two important themes and proposed measures based on analysis from JPX’s viewpoint. We hope these proposals serve to invigorate the Japanese capital market and contribute to further growth in the Japanese economy.

JPX discussed and made policy recommendations about improving the appeal of the Japanese capital market through the Financial and Capital Markets Workshop.

(1) Improving the Japanese Stock Market’s Appeal

[JPX’s Views]

- “Low profitability” a common criticism of Japanese corporations
- Improve the appeal of the Japanese capital market by increasing Japanese corporations’ appeal

[Analysis]

- Bankruptcy, employment, and business restructuring laws give incentives to holding large amounts of cash and deposits.
- Low societal awareness of outside directors’ roles as shareholder representatives, regulatory revisions required
- Corporate managers are more concerned with their corporation’s survival than generating appropriate returns for risk-money providers.
- Cross-holdings discourage shareholders from strongly demanding higher profitability.

JPX Proposals

- Establish systems to allow outside directors to act as stakeholder representatives to substantially oversee management
- Revise laws regarding bankruptcy, corporate restructuring and employment practices
- Promote stock-based compensation schemes to increase management awareness of shareholders
- Promote communication between institutional investors and companies via stewardship code, etc.

(2) Harmonized Growth with Asian Markets

[JPX’s Views]

- With the maturity of the Japanese economy, there is a steady trend of increasing new business opportunities in Asian countries.
- There are social demands for financial support to strengthen cooperation between Japan and the rest of the Asian region.

[Analysis]

- A response is needed to rising capital investment in the secondary industries that drive economic growth in developing ASEAN countries.
- There will be an immense need for investment in infrastructure that is vital to industrial development.
- Establishment of capital markets is needed in developing ASEAN countries.
- Growing Asian asset management needs open roads for proactive use of Japanese financial products.

JPX Proposals

- Proactively expand Asian businesses of financial institutions and provide strong governmental support
- Promote fund-raising via the PRO-BOND Market
- Respond to infrastructure investment demands with listed infrastructure market
- Establish a public/private cooperative structure to promote development of Asian capital markets
- Extend promotion activities of Japanese market
- Promote a national strategy to make Tokyo an international financial center

Policy Recommendations from JPX Financial and Capital Markets Workshop **WEB**
<http://www.jpx.co.jp/en/general-information/research-study/policy-recommendations.html>

Ensuring the Sustainability of Corporate Value



Internal Control Systems, Compliance, and Risk Management

JPX performs a public role as the operator of the market, and to continue to increase its corporate value, it is essential for JPX to maintain sound and stable operating systems. From this perspective, JPX designs and operates internal control systems, insists on thorough compliance, and conducts risk management.

Internal Control Systems

JPX has established Basic Policies for the Establishment of an Internal Control System, and has developed its internal control systems based on this policy. To ensure proper operation of business processes in JPX as a whole, systems have been created for ensuring compliance with laws and regulations, safekeeping and management of information, crisis management, the efficiency of operations and internal control within JPX, as well as the appropriateness of financial reporting. Along with these systems, JPX, as the operator of the market, prepares and implements systems for ensuring the stable and efficient operation of its business activities.

In addition, to ensure that internal control systems operate effectively and appropriately, the Internal Auditing Office, a unit created specially to monitor internal activities from an independent perspective, conducts annual audits to ensure the effectiveness of systems.

Basic Policies for the Establishment of an Internal Control System **WEB**

<http://www.jpx.co.jp/en/general-information/basic-policies-to-establish-internal-control-system.html>

Compliance

Stable and appropriate business activities require not only well-designed business operating systems, but all members of management and employees must 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, and to realize effective internal control functions, JPX is continuing to increase the awareness of management and employees through the further development of internal systems, as well as maintaining 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 toward investors and reflects JPX's commitment to becoming an open company.

Structuring of Organizational Systems

Under the JPX organizational structure, the Chief Executive Officer (CEO) assumes responsibility for compliance and is in overall charge of compliance-related matters. The CEO is assisted by the director responsible for compliance, and the Compliance Secretariat has been formed to take 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 violations of laws and internal rules, including the Charter of Corporate Behavior. When certain behavior around JPX officers and employees is suspected to be in violation, the hotline makes it possible to detect such acts promptly 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 compliance officers from all organizational units, distributing compliance handbooks, communicating information on compliance matters through the intranet, and holding e-learning courses.



Compliance handbook that is distributed to all employees

For further information on the compliance programs, access **WEB** <http://www.jpx.co.jp/en/general-information/compliance-program.html>

Committee, which is chaired by the CEO, and is responsible for identifying risks as well as developing and implementing risk-related measures with a view to preventing such risks before they occur. Also, when risks materialize or may materialize, JPX prepares a system to ensure a swift and appropriate response.

Risk Management Systems

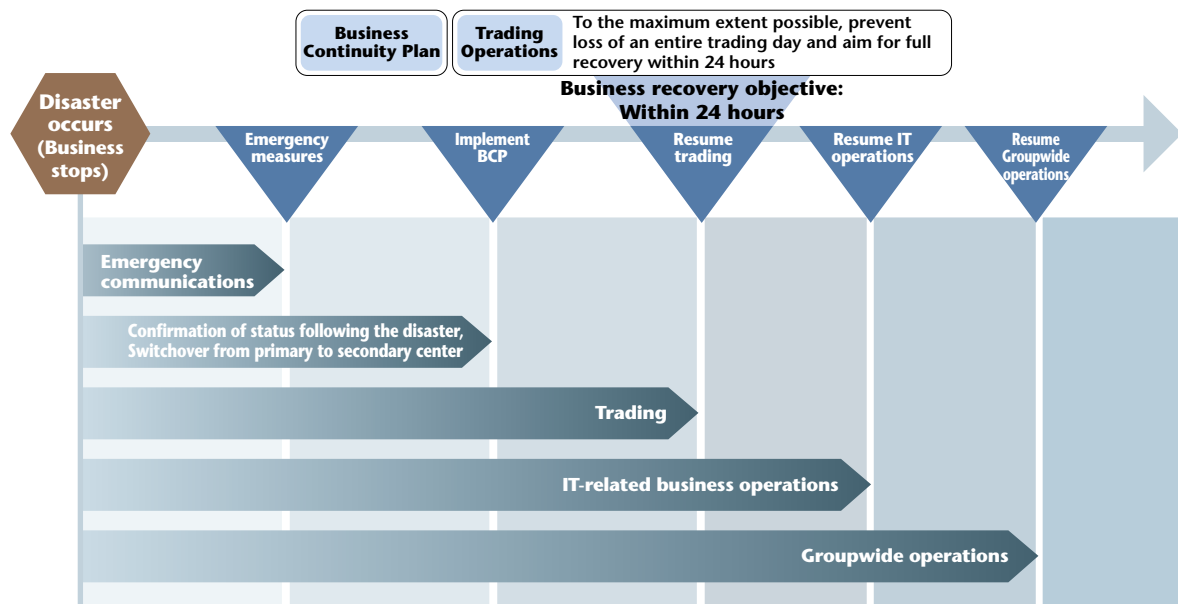
JPX risk management systems are based on the Risk Management Committee Rules shared across group companies, and risk management in JPX is conducted under the supervision of the committee. The Risk Management Committee comprises core members who are project team members in charge of risk, and is chaired by the CEO. Core members are the CEO, the COO, the executive officer in charge of the Corporate Planning Department, and the general manager of the Corporate Planning Department.

Through this cross-departmental committee, important basic policies related to risk are reviewed regularly. In addition, to prevent risks before they occur, this committee gathers information related

Risk Management

JPX confronts a variety of risks in the course of its operations. These include operational risks, system issue risk, legal risk, risk of compensation when participants become insolvent, and credit risk. To respond to these risks, JPX has a Risk Management

Procedures for Restoring Business Activities after Disaster Occurs



to assessments of operation and issues that have arisen. Under predetermined procedures, the committee monitors and takes overall charge promptly when major incidents occur, and provides leadership to bring such incidents to an early conclusion. The committee also reports all pertinent information to senior management, and makes adjustments as necessary.

Business Continuity Plan (BCP)

JPX's core responsibility as a market that is part of the social infrastructure is to provide reliable markets for investors to trade with confidence. Therefore, even when major risks occur, including natural disasters and terrorist acts, JPX must be prepared to respond to the call of society and continue its operations. To be ready for such situations, JPX's Business Continuity Plan defines how we respond when risks materialize.

Systems for Business Continuity

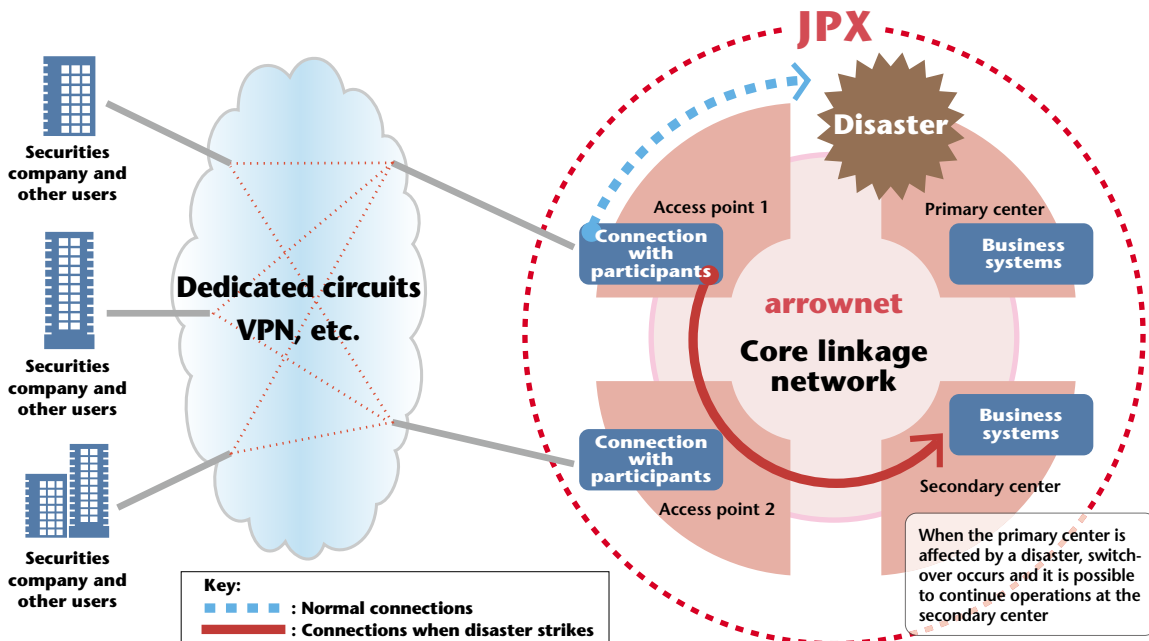
The basic concept under JPX's BCP is to continue all possible services in times of crisis. If the suspension

of some services is unavoidable, these services should be resumed as soon as possible. For example, even when a major earthquake occurs and this has a serious impact, in general, JPX aims to resume all necessary business operations within 24 hours, and, to the greatest extent possible, prevent the loss of a trading day.

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

Further, in preparation for potential widespread disasters such as large-scale earthquakes, the core telecommunications network, "arrownet," is designed as an optical ring network surrounding 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.

Outline of Switching Over to the Secondary Center when the BCP Is Implemented



Mitigating Impact on Related Parties

While ensuring trading opportunities, to maintain fair pricing in the market, it is also necessary for securities companies and other market participants to maintain a certain level of preparedness. JPX has prepared contingency plans to inform participants of its basic crisis response policies in advance when trading becomes difficult in situations where JPX or other external systems encounter difficulties, natural disasters or terrorist acts occur, or parts of the social infrastructure are no longer functioning. For example, in cases when participants accounting for 20% or more of equity trading can no longer participate, or in cases where information related to companies amounting to 20% of the market's total capitalization cannot be transmitted, JPX's policy is to suspend trading based on concerns for the adverse impact on liquidity and fair and reliable price formation.

The BCP also defines activities by type of risk for those that are currently identified, as well as

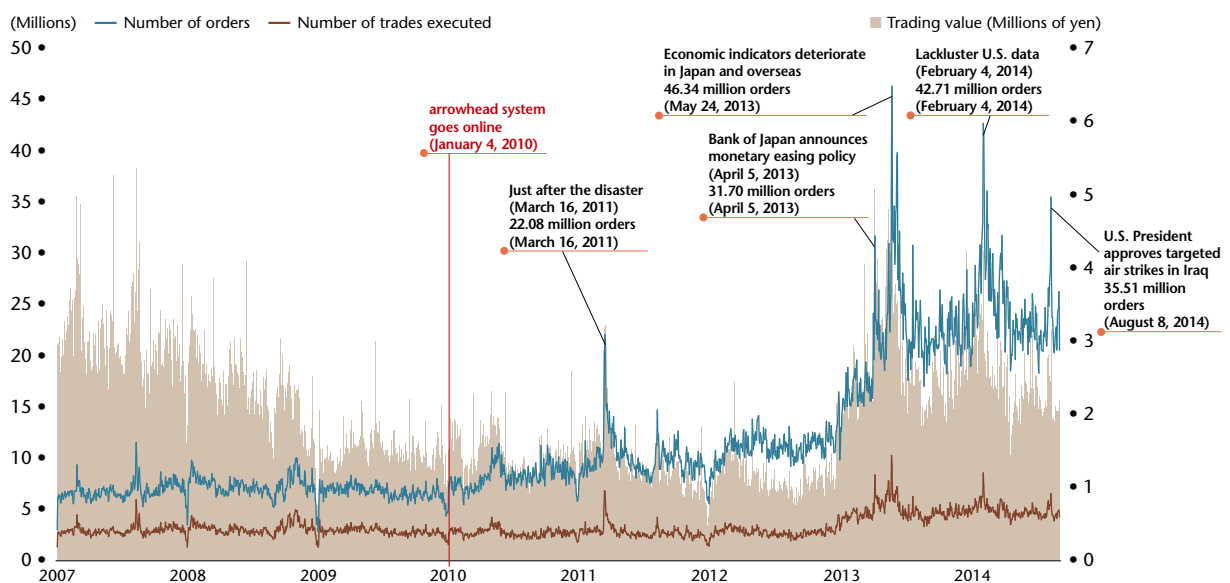
detailed plans for securing personnel for the BCP headquarters and methods of communication. These contingency plans are periodically reviewed at least once a year, and revised appropriately in light of changes in the operating environment.

Moreover, transaction activities on the exchanges are based on collaboration among various entities, including clearing and settlement companies, self-regulatory organizations, securities companies, and government authorities. For this reason, in addition to strengthening its own continuity planning, JPX participates in the BCP Forum, formed as a venue for considering a BCP for the securities markets as a whole, and engages in discussions to achieve closer collaboration among market participants and taking active initiatives to strengthen the BCP functions of the market as a whole.

For further information on JPX's crisis management, see: **WEB**

<http://www.jpx.co.jp/en/general-information/crisis-management.html>

Number of Orders and Trading Value per Day in the Stock Market



Systems Capacity Management

In recent years, the number of orders processed on a daily basis by JPX trading systems has been increasing. JPX’s arrowhead trading system handled less than 10 million orders a day when it was launched in January 2010, but by May 2013, the system processed about 46 million orders. As a result of higher system processing speeds and the launch of co-location services, the structure of the market is changing dramatically with investors adopting high-speed, high-frequency techniques.

In view of these changes, and with an eye to the future, JPX is monitoring market trends and system use, and is working to manage the system capacity of the Group as a whole, with the aim of preventing issues that may arise regarding system capacity. JPX also strives to improve its monitoring structure in the course of monitoring system capacity. Working closely with senior management, when system usage approaches a certain threshold, action is taken to make improvements immediately.

Systems for Capacity Management

JPX is taking measures to ensure system capacity not only through the IT Department, but also on a

cross-divisional basis through the Capacity Management Committee, chaired by the Chief Information Officer (CIO). This committee includes directors and other management personnel in charge of market operations.

Specific initiatives include surveillance, analysis, and assessment of the status of systems operations, early-stage policies for improving current systems, and the provision of feedback for the planning and development of next-generation systems. Observing overall market trends, JPX is implementing the “plan, do, check, action” (PDCA) cycle with the aim of arriving at systems that satisfy the needs of market participants. In addition, operating procedures require regular reports to senior management, and also on an ad-hoc basis. This makes it possible to make appropriate decisions to address important issues on capacity, and those that require urgent attention.

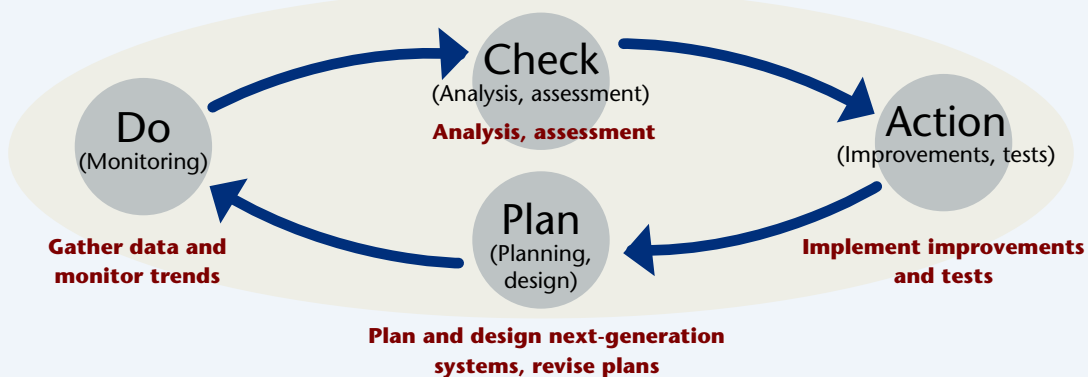
JPX will continue these activities with the aim of ensuring stable system operations, and further develop its exchange systems to accommodate future market developments.

Basic Approach to Systems Capacity Management

JPX gathers information on the status of systems operation and seeks to determine trends and events to the greatest extent possible through analysis and assessment to identify trends in the market from a systems point of view. Through implementation of the PDCA cycle, JPX strives to make improvements and be ready for future developments and, thereby, accomplish the following two objectives:

1. Prevent systems-related problems before they occur by being prepared for future changes in the market and taking necessary measures in advance.
2. Feed back information for the planning and development of next-generation systems and, thereby, realize systems that better respond to market needs.

Cycle of Initiatives



Ongoing Dialogue with Stakeholders and Society

Exchanges need to provide more than just a venue for trading for financial markets. Without the cooperation of the many participants in capital markets, including shareholders, investors, listed companies, securities companies, and related organizations, JPX would be unable to implement its corporate philosophy. For this reason, it is important that JPX not only perform its primary roles, including the structuring of the market platform and operation of the market, but also maintain ongoing dialogue with its many stakeholders and society as a whole to deepen mutual understanding. Through this dialogue, JPX seeks to moderate and reconcile varying interests, and contribute to the creation of a sustainable society.

JPX recognizes that this dialogue is an opportunity to identify and gather information on the needs and expectations of stakeholders. We also use this information in our market operations and in developing a symbiotic relationship with society, working to ensure the sustainability of our corporate value.

Principal Stakeholders of JPX



Relationships with Shareholders

Fluid communications between corporations and investors prevents mismatches between assessments of corporate initiatives and stock prices. It also helps companies refine their corporate strategies. To build such a constructive relationship, JPX takes initiatives to maximize corporate value by ensuring that accurate information is delivered promptly to investors, and that market feedback is provided to senior management and related departments.

Shareholders' Meetings

JPX held its annual general meeting for FY2013 (April 1, 2013 to March 31, 2014) on June 17, 2014, with 555 shareholders in attendance. The meeting was also made available on the JPX website so that those who could not attend were able to view the proceedings.

JPX is also working to present the information contained in the notice of the general meeting in a more easily understandable form, using color and graphical representations. JPX also prepares an English version of the notice and makes it available on the JPX website. This information is also made available to overseas investors through the Electronic Voting Platform for Institutional Investors. Moreover, JPX mails copies of the notice three weeks prior to the general meeting, providing shareholders with ample time to decide how they will exercise their voting rights.

To exercise their voting rights, shareholders may send in their decisions by post, or use the online voting platform. For the annual general meeting held on June 17, 2014, 84.96% of voting rights were exercised.

IR Initiatives for Institutional Investors and Overseas Investors

JPX provides investors with opportunities for dialogue through visits by its top management, pre-

sentations at IR conferences, and one-on-one meetings with investors. In addition, JPX holds investor earnings announcements twice a year, for interim and full-year results. JPX also offers domestic and overseas investors video clips of the meetings on the Japanese and English JPX websites on the day they are held.



CEO Atsushi Saito speaking at the CLSA Japan Forum

IR Program for Individual Investors

JPX participates in the TSE IR Festa and the Nikkei IR Fair, and holds information meetings. In October 2013, JPX conducted a five-for-one stock split, reducing the value of minimum investment, with the objective of increasing the liquidity of its shares and expanding its shareholder base. JPX also expanded its shareholder incentive program and substantially increased returns to shareholders.



Information meeting for individual investors

Relationships with Market Participants: Investors, Trading Participants, and Listed Companies

Building collaborative relationships based on confidence and trust among market players is essential for exchange operations. Accordingly, JPX provides a range of opportunities for dialogue with market users. These dialogues help JPX ensure the transparency of market operations, and to operate the markets in more convenient ways. Based on our customer-first creed, we work together with market participants to discuss major decisions in depth and shape the markets of the future.

■ Mutual Understanding through Dialogue

JPX facilitates mutual understanding and makes enhancements to its systems and operations. Examples include the Market Operations Committee, the solicitation of public comments, the Advisory Group on Improvements to TSE Listing System, and surveys of listed companies. These activities enable us to obtain the views of industry experts and market participants, and apply these in market operations to enhance overall convenience.

Market Operations Committee

Tokyo Stock Exchange and Osaka Exchange both have a Market Operations Committee as an advisory group to the Board of Directors. This committee,

in collaboration with external experts, makes decisions regarding important matters such as the listing of new financial instruments, the creation of new markets, and rule revisions.

Solicitation of Public Comments

To ensure fairness and enhance the transparency of its decision-making processes, JPX provides opportunities for securing a diversity of opinions when decisions are made. Specifically, JPX makes draft proposals and related matters publicly available on its website, and invites comments.

Advisory Group on Improvements to TSE Listing System and Surveys of 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, representatives of listed companies, institutional investors, securities companies, and other organizations.

In addition, each year JPX sends out a survey to listed companies and reflects the responses in improvements to its market operations.

Mutual Understanding through Dialogue



Strengthening Marketing and Promotion Activities

In April 2011, JPX restructured its organization in an effort to strengthen its structure for marketing and promotion by concentrating these functions in a single operating unit. The Marketing and Promotion unit was formed to gather information on the actual and latent needs of market participants as part of our customer-first policy, putting us in a position to take initiatives as a service solutions provider that responds promptly and flexibly to the expectations and needs of the market.

In addition, the unit actively implements promotional activities in response to customer needs. Diversity in participants and investment styles is vital to sound market development. Through these activities, we seek to increase liquidity in the equities and derivatives markets, reaching out to various investor groups to broaden the range of participants and encourage investment.

• For Overseas Institutional Investors

JPX provides information that highlights the attractiveness of its markets, with the aim of expanding

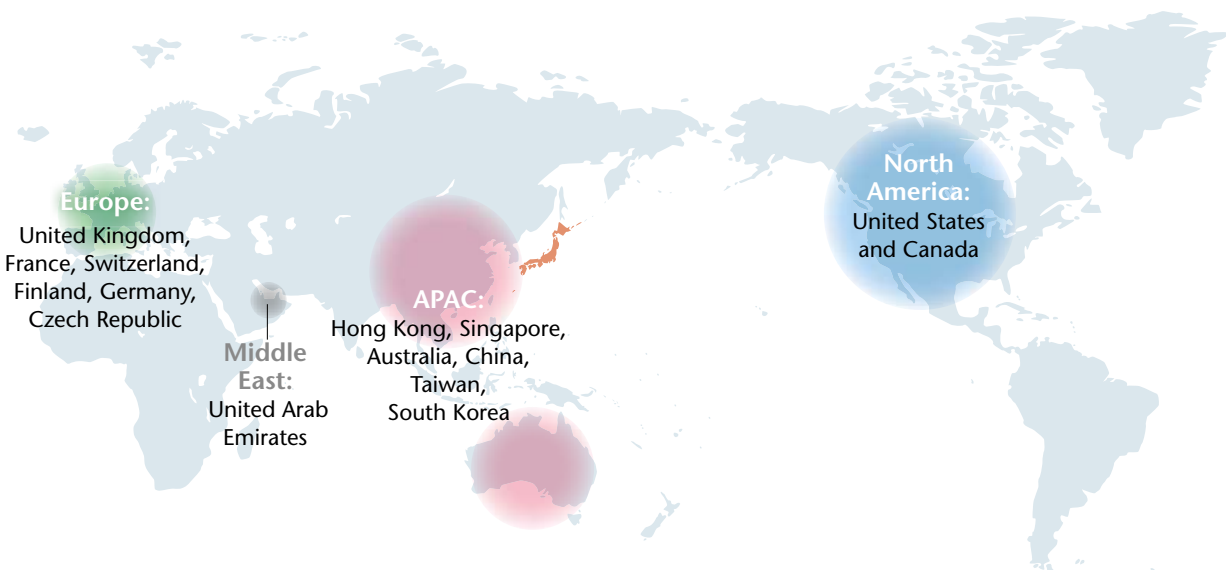
liquidity through the participation of market makers and investors with medium- to long-term investment horizons, such as sovereign wealth funds (SWFs) and pension funds.

In FY2013, JPX held meetings and events for major institutional investors, pension funds, and hedge funds in North America, Europe, Asia, Oceania, and the Middle East. Through these visits and events, JPX endeavored to communicate the attractiveness of its markets and provide information on regulatory and other developments in Japan.



JPX held a seminar in Kuala Lumpur, Malaysia to introduce Japan's stock markets.

Overseas Institutional Investors (Visited in FY2013)



Ongoing Dialogue with Stakeholders and Society

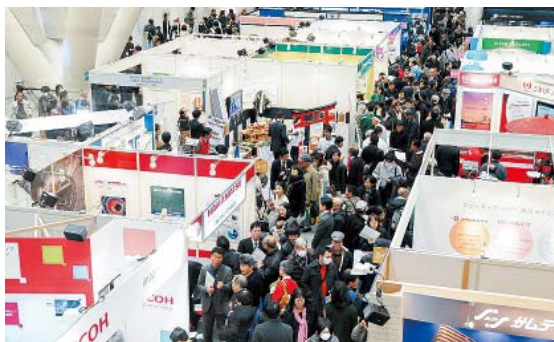
• For Domestic Institutional Investors

The need for equity portfolio management among domestic institutional investors is rising as the deposit and loan interest rate spread narrows, bond yields decrease, and interest rate fluctuation risk rises. In view of these conditions, JPX took the initiative to promote the use of ETFs and REITs as investment tools by visiting financial institutions in Japan and offering specific methods for using them in asset management. Holdings of ETFs by financial institutions were ¥5,608.6 billion (as of January 2014), ¥2,451.5 billion higher than at the end of January 2013, suggesting greater use of ETFs as an asset management tool.

• For Retail Investors in Japan

JPX is stepping up its efforts to provide information to retail investors. These include holding seminars for investors with varying levels of experience, providing information on various types of investments, and conducting study meetings for retail sales personnel of securities companies.

In addition, to promote mutual understanding among individual investors and listed companies, the TSE IR Festa is held annually to provide opportunities for dialogue with individuals. In FY2013, the TSE IR Festa 2014 was held in February 2014 with booths by 72 listed companies and eight ETF management companies. The two-day event saw a total of 17,453 visitors.



Scene at the TSE IR Festa 2014

Compliance Learning Center (COMLEC)

To promote dialogue with market participants regarding compliance, Japan Exchange Regulation Corporation has established the Compliance Learning Center to improve and deepen understanding of compliance matters. Its initiatives are aimed at heightening awareness of compliance issues, including providing support services for securities companies, listed companies, and other market participants, as well as explaining laws related to insider trading and other aspects of financial instruments trading.

Seminars

- Insider trading seminars for corporate compliance officers (36 times, about 2,800 participants)
- Compliance forums for listed companies (five times in Japan, about 1,700 participants)
- Seminar for trading oversight officers (held in January, about 150 participants)

Dispatching speakers

- In-house training at listed companies and securities companies (524 times, about 32,000 participants)

Publications and e-learning services

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

Meaning of the COMLEC Logo

The COMLEC logo expresses fairness and suggests the image of the birth of a new awareness, as well as the image of COMLEC opening the door to a new era in compliance.



Relationships with Employees

Human resources is the most important factor in ensuring the sustainability of the corporate value of JPX. 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. To prevent harassment, JPX has established internal and external hotlines for employees to report and receive advice regarding sexual and power harassment.

■ The JPX Creed: The Four Cs

The JPX Creed consists of “Customer First” (prioritize customer needs), “Credibility” (build public confidence), “Creativity” (pursue innovative solutions), and “Competency” (harness employee potential). While maintaining trust and fairness, JPX endeavors to refine, enhance, and fully harness the capabilities of its human resources to raise its competitiveness and position in the global arena.

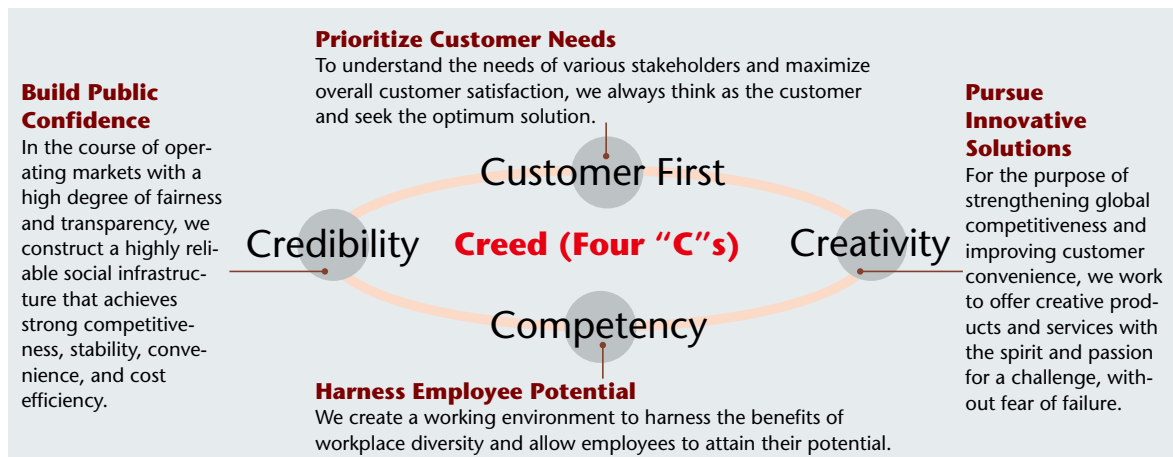
■ Human Resource Development

In accordance with the principle of “Competency,” JPX endeavors to create workplaces where employees can take initiative in acquiring knowledge and building up expertise from the moment they join the Group, absorb the latest information, and develop a broad perspective and capabilities for creativity and innovation.

Specifically, employees can take career-level training programs tailored to their periods of employment and job scope, enabling access to required knowledge to enhance their skills. JPX also provides opportunities for upgrading skills. Under this program, individual employees can select and attend lectures to improve their foreign language skills and acquire specialized knowledge based on their aptitude and career vision. Career development support is also available to help employees obtain MBAs and gain experience through postings to overseas representative offices. Another HR development program involves sending personnel to external organizations. This program is intended at strengthening professional skills through secondments to securities companies, systems vendors, and government offices.

By providing these various human resource development opportunities, JPX aims to enable employees to advance their careers and attain their full potential. By taking these opportunities, employees can gain the necessary knowledge to upgrade and develop their capabilities through a wide range of business activities. JPX is also working to enrich its training programs to provide employees with more options for development.

In addition to these training programs, during FY2013 JPX held study group sessions for younger employees on financial derivatives led by outside experts in financial engineering. Speakers are also



invited to give talks to give employees new ideas and insights. For example, in FY2013, Professor Franklin Allen from the Wharton School of the University of Pennsylvania was invited to give a lecture entitled “Revitalizing Japan’s Financial Services Industry.”



Professor Franklin Allen speaking to JPX staff.

■ Promoting Diversity

In accordance with the principle of “Competency” and allowing employees to attain their full potential, JPX strives to “create a working environment to harness the benefits of workplace diversity and allow employees to attain their potential.” In line with its policy to embrace diversity, a “Diversity Promotion Group” was formed in its HR department in FY2013.

■ Accommodating Flexible and Diverse Work Styles

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

The Diversity Promotion Group is making improvements to systems to support childbirth, parenting, and caregiving. These improvements are aimed at harnessing the desire to continue working through providing greater flexibility in working arrangements that cater to the needs of diverse values and lifestyles.

JPX had already introduced systems that exceed legal requirements on provisions for childcare leave and shorter working hours for parents, as well as time off and leave to care for elderly family members. In April 2014, provisions were introduced related to flexible working shifts, reimbursement programs for use of childcare facilities for sick or

recovering children, for extended childcare services, for travel to childcare facilities, and other benefits to support work-life balance. Further, to create a workplace where such systems and working arrangements are readily accepted, JPX is strengthening its efforts to provide information on the benefits and promote the use of the system while also supporting employees that return to work. JPX is also taking steps to create an office environment that is more conducive for work-life balance through further improving these systems, encouraging employees to take vacation, and reducing overtime throughout the company.

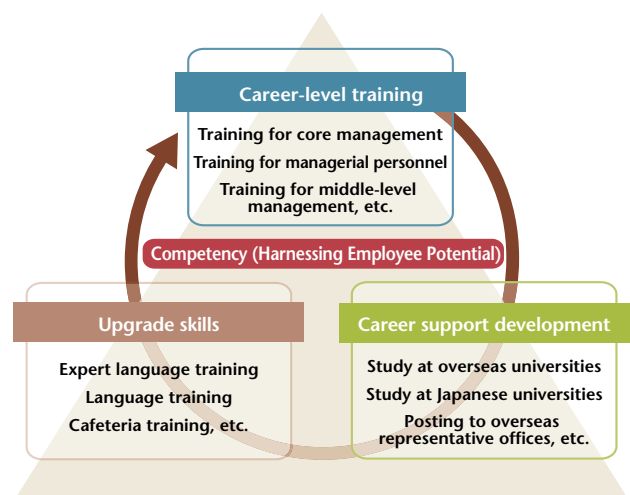
Childcare Leave

JPX adopted its system for childcare leave to make it easier for employees to take time off and encourage males to be more involved in household chores and parenting. JPX employees with children below three can make use of unused paid leave forfeited in the past five years for parenting. This system has also been welcomed by the company’s working fathers.

Leave for Refreshment, Medical Treatment, and Volunteer Work

In July 2009, a system that offers six vacation days for refreshment was introduced to encourage employees to take vacation during Golden Week

Human Resource Development and Training Programs



(early May), New Year, and the summer and winter. Workers can use this system together with regular paid vacation to return to work refreshed from a longer holiday.

A medical leave system for injuries or illnesses unrelated to work activities also allows workers to take up to 60 days of unused paid leave forfeited in the past five years. JPX also has a system to support up to 10 days (or 15 days for employees above 50) of participation in disaster recovery assistance, social welfare, and environmental conservation volunteer work.

Re-Employment System

While maintaining a retirement age of 60, JPX has a system that allows employees to continue employment as contract workers, and is expanding support for those above 50 to change jobs and begin a second career. JPX also provides opportunities for employees aged 50 and 56 to obtain information on pension programs and financial planning and

support to help them prepare for active retirement and further employment.

Creating a Conducive Work Environment Mental Health

To help employees maintain physical and mental health, JPX provides channels for counseling over the telephone and in person. Since April 2010, JPX has engaged mental health specialists as advisors to complement its existing mental healthcare system.

Safety and Health Initiatives

Based on Japan's Industrial Safety and Health Act, JPX holds monthly meetings of its Health and Sanitation Committee comprising staff responsible for managing health and safety matters, company doctors, and employees. The committee discusses workplace environment and health issues to prevent adverse effects of working conditions on employee health and also makes recommendations to management as necessary.

Improvements in Employee Benefits Related to Childbirth and Childcare Leave and Caregiver Support

Category	Details
Childcare leave (long-term)	<ul style="list-style-type: none"> Available until child turns 3.
Childcare time (shortened hours)	<ul style="list-style-type: none"> Shorten working hours by up to 75 minutes until child completes elementary school 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 elementary school 3rd grade. Working hours can begin at 30-minute intervals between 7 a.m. and 7 p.m.
Overtime restrictions	<ul style="list-style-type: none"> Available until child completes elementary school 3rd grade (over a period of 1 month, up to 1 year).
No overtime	<ul style="list-style-type: none"> Available until child completes elementary school 3rd grade.
Childcare 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), paid leave. (Up to 60 days per year (use of unused paid leave forfeited in past 5 years))
Childcare leave (illness)	<ul style="list-style-type: none"> 5 days (paid leave) per child until schooling age. 10 days for 2 or more children. Available in 0.25, 0.5, and 1-day slots.
Reimbursements and other programs	<ul style="list-style-type: none"> Reimburse parents with half of the cost for temporary use of childcare facilities for sick or recovering children, and use of extended childcare services for children under 6 (up to ¥20,000 per month). Reimburse travel by parents of preschool children to childcare facilities.

Data on Staff Composition

		FY2013
Composition by gender		
Number of employees		1,029
	Male	742
	Ratio (%)	72.1
	Female	287
	Ratio (%)	27.8
Average length of service (years)		17.1
	Male	15.6
	Female	21.1
Number of women in managerial-level positions or higher		
Managerial-level personnel	Number in service	349
	Of which, women	13
Ratio of women and foreigners among newly hired employees		
Newly hired employees		17
	Of which, women	4
	Of which, foreigners	2
Use of childcare leave and workforce reentry ratio		
Number taking childcare leave		23
Length of average childcare leave (days)		351
Reentry ratio (%)		100
Ratio of usage of paid leave		
Ratio of usage of annual paid leave		46.6

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

Relationships with Society and the Natural Environment

Contributing to the Community through Financial and Economic Education

As the central figure in Japan's economic and financial infrastructure, JPX makes continuous efforts toward financial and economic education. We aim to provide accurate knowledge regarding securities and finance, promote understanding of the proper use of financial services, and contribute to society by nurturing Japan's retail investor base.

Financial and Economic Education

JPX Academy

The JPX Academy caters to the desire across the generations to learn more about finance, providing courses on investment products, from equities and ETFs to derivatives instruments. In addition, the Academy hosts lectures by outside experts, provides instruction on macroeconomics and the latest economic theories, and engages in other activities to provide the type of information from an objective perspective. In FY2013, more than 5,600 persons participated in the Academy's courses.

Outreach to Schools (Elementary to High School)

Economics and stock companies are an integral part of our daily lives, but there are not many opportunities to discuss this subject in school. For this reason, JPX makes its employees available for lectures on such topics as politics, economics, and public citizenship. These lectures include role-playing

activities to explain the framework of incorporated companies, and better familiarize students with finance and economics. During FY2013, JPX employees went to 68 schools and gave lectures to a total of 8,271 students, reaching a cumulative total of 8,457 students through this program.

Economics Lectures for Parents and Young Children

JPX sponsors various events during summer vacation and other holidays to teach finance and economics to elementary and junior high school children and their parents or guardians. In FY2013, a total of more than 2,600 persons participated in these events.

JPX (Osaka Exchange, Inc.) also sponsored the "Learning with Children – Finance and Stock School" program, part of a joint project with Osaka prefectural government's finance and public relations committee, the Osaka branch of the Bank of Japan, the Japan Securities Dealers Association, and Japan Mint. Elementary school students in grades four to six were invited to tour the principal financial and economic facilities in Osaka and listen to explanations from employees of these organizations to help them become better acquainted with finance and equities.

University Lectures

Today's students are tomorrow's leaders. To deepen understanding of finance, economics, and securities markets, JPX sends staff members to speak at colleges across Japan. In FY2013, JPX employees gave lectures at 51 universities to a total of more than 13,000 students.



Summer vacation economics lecture for parents and children



Photograph courtesy of Keio University

Summer vacation lecture for children on finance and equities



Views of Keio University campus (above) and Sophia University (right), where JPX sponsors courses



Photograph courtesy of Sophia University

• Sponsored Courses

JPX offers sponsored courses at Keio University and Sophia University as part of its effort to nurture future leaders. The JPX Keio course covers laws governing the securities markets, as well as trends in economics, management, and accounting, and stock listing and disclosure systems, with case studies and other examples. At Sophia, the “Function of Securities Market” course curriculum was established in 2013 to commemorate the university’s 100th anniversary.

• Seminars for Teachers

During the school summer vacation and other holidays, JPX presents economics lectures and course ideas for junior high and high school teachers, with the aim of assisting them in their lectures on social studies and citizenship. In addition, JPX makes employees available for teacher training programs and study groups.

Support for Cultivating Entrepreneurs

Environmental factors are important in fostering the creation of new companies to create a vibrant economy for the future. As part of its social contribution program, JPX began a project to support entrepreneurship, focusing on stimulating interest in starting new businesses, offering new venues for learning, and support for activities to train entrepreneurs. By supporting related organizations, JPX is working to encourage more individuals to take on the entrepreneurial challenge.

The theme of JPX magazine *OCOSO*, published for teaching staff, is entrepreneurship. **WEB**
<http://www.jpx.co.jp/csr-activities/ocoso.html>



JPX publishes *OCOSO*, a magazine for teaching staff. As part of these activities, JPX CEO Atsushi Saito and Japan’s Minister of Education Hakubun Shimomura held a dialogue.

Project for Disseminating Knowledge about Securities

This jointly sponsored project was originally called the “Five-Organization Project for Knowledge and Enlightenment Regarding Securities,” but was renamed in February 2001 as the “Project for Disseminating Knowledge about Securities.” JPX, the Japan Securities Dealers Association, and other industry groups conduct joint activities to promote the ongoing, long-term dissemination of knowledge on securities. Activities include creating teaching materials for finance and economics education, as well as holding continuing education seminars and lectures for adults.

■ Promoting International Cooperation Participation and Cooperation with International Organizations

• World Federation of Exchanges (WFE)

The WFE membership is comprised of 60 exchanges around the world (as of July 2014). Its various initiatives include making proposals for policies related to capital markets, conducting surveys and research, and providing statistical data. WFE also supports member development through information sharing and technical support for new exchanges. Recent activities include strengthening risk control functions in response to the development of high-frequency trading (HFT), exchanging information regarding the roles of exchanges in the areas of the environment, society, and governance (ESG), as well as cyber security.

JPX actively supports WFE initiatives by participating in WFE general meetings, its Board of Directors, and WFE working committees.

• Asian and Oceanian Stock Exchanges Federation (AOSEF)

AOSEF is a federation of 18 stock exchanges (as of July 2014) located in the Asian and Oceanian region. Its activities include facilitating information sharing among members, and providing mutual technical support for member exchanges. JPX serves as the secretariat for AOSEF, promoting research initiatives while also leading general meetings and the working committee.

Some of AOSEF's recent activities include initiatives of member exchanges to promote cross-border transactions in Asia, sharing views related to nurturing the development of markets in emerging and growth countries, and conducting comparative studies on market structure.

Acceptance of Trainees from Overseas Exchanges (with Japan International Cooperation Agency (JICA))

Since the 1990s, JPX has welcomed trainees from exchanges of various countries to contribute to the development of the capital markets and securities markets in the countries of East Asia and at the request of JICA. As part of training activities, the trainees learn about the role of corporate governance and securities exchanges, Japan's securities markets, stock listing and trading rules, and systems for monitoring trading activity as well as other self-regulatory activities. The program also includes visits to Japan's Financial Services Agency, securities companies, and other related organizations.



JICA Stock Exchange Seminar

Promoting Academic and Research Activities Joint Research with the University of Tokyo

JPX conducts research in collaboration with the University of Tokyo on data analysis technologies and simulation technologies to contribute to the stability and efficiency of financial instrument exchange markets. JPX's finance research team works with two research teams at the Department of System Innovation, School of Engineering under associate professors Kiyoshi Izumi and Fujio Toriumi to develop technology for analyzing the huge amounts of data generated by high-speed, high-frequency and other forms of trading. Through the

use of artificial market simulations to simulate situations that cannot be observed in the market, this research develops technology and system designs that will allow for more stable and efficient operations in financial instrument exchange markets.



JPX Working Papers

JPX conducts surveys and research on changes in the operating environment and related legal systems in order to build a more attractive capital market. The results are published as working papers, in collaboration with the management and staff of JPX and external researchers. These papers are issued to invite broad commentary from academia, research institutes, market participants, and related parties.

FY2013 Activities

	Date of release	Title
Vol. 1	September 2012	Status of short-selling on Tokyo Stock Exchange and the impact of regulating short-selling activities
Vol. 2	January 2013	Analysis of the relationship between tick size and trading volume in the market based on market simulations
Vol. 3	March 2013	Observation of changes in market order condition using the Gaussian mixture model

For information on JPX working papers, see: <http://www.jpx.co.jp/general-information/research-study/wp.html> **WEB**

JPX Study Group on the Financial Instruments & Exchange Act

In recent years, with developments such as the implementation 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, and provides the platform for a study group on the Financial Instruments and Exchange Act with the aim of making their studies broadly available in Japan and overseas.

The study group comprises 24 leading researchers, and holds discussions and issues reports on a wide range of legal issues, focusing on the Financial Instruments and Exchange Act. Meetings are held monthly in Tokyo and Osaka, with minutes and

reports posted on the JPX website. We plan to periodically compile these meeting reports into a publication and distribute it to researchers and related organizations.

FY2013 Activities

Date of posting	Reports by the Study Group on the Financial Instruments & Exchange Act (Theme)	Presenter
October 2013	Recent Status of Securities Market Restriction and Current Issues	Michio Saito, Market Section Chief, General Affairs and Planning Section, Financial Services Agency
November 2013	Restrictions on Solicitation of Investments in Derivatives (Germany)	Tomonobu Yamashita, Professor, Graduate School of Law and Politics, The University of Tokyo
December 2013	Restrictions on Solicitation of Investments in Derivatives (Japan)	Etsuro Kuronuma, Professor, Graduate School of Law, Waseda University
March 2014	Restrictions on Solicitation of Investments in Derivatives (U.K.)	Hideyuki Matsui, Professor, Graduate School of Law and Politics, Rikkyo University

For information on the Study Group on the Financial Instruments & Exchange Act, please access: **WEB** <http://www.jpx.co.jp/general-information/research-study/research-group-on-fiea.html>

Environmental Conservation

JPX aims to contribute to the realization of a sustainable society and takes initiatives to lessen its environmental footprint by conserving energy use in lighting and air conditioning of its business facilities. We also take steps to increase environmental awareness among employees through tree planting, community cleanup activities, and other initiatives.

Reducing Our Environmental Footprint

To lessen our impact on the natural environment, JPX is strengthening its measures to reduce energy use for lighting and air conditioning on its business premises. For example, the amount of electricity used in the TSE Building has steadily declined since we attained the voluntary reduction targets set by the securities industry in Japan in 2008 (a 12% reduction by 2012 in comparison with 2002), which were based on the Kyoto Protocol. This was the result of the replacement of air-conditioner equipment and a shift to more efficient lighting alternatives, as well as efforts to raise environmental consciousness among employees. In FY2013, even though electricity use in the TSE Building rose due to an increase in the number of personnel following the business combination, JPX has continued to make improvements to its facilities. These include moving from desktop PCs to notebooks, reducing lighting sources in common areas, turning off unneeded lighting, and other measures to conserve energy. As a result, per capita energy use has decreased.

In addition, overall energy use at JPX, including data centers, has decreased. While the enhancement of backup systems in recent years has led to the need to expand facilities, JPX has improved the efficiency of its infrastructure and reduced overall

Energy Consumption at the TSE Building (electricity and gas)

	Energy consumption at the TSE Building								Emissions of greenhouse gases from the TSE Building			
	Total usage				Per capita				Total emissions		Per capita	
	Electricity (kwh)	Yearly change	City gas (m ³)	Yearly change	Electricity (kwh)	Yearly change	City gas (m ³)	Yearly change	CO ₂ (CO ₂) (t-CO ₂)	Yearly change	CO ₂ (CO ₂) (t-CO ₂)	Yearly change
FY2005	8,207,656	—	344,276	—	11,274	—	473	—	3,962	—	5.44	—
FY2006	8,127,304	(80,352)	318,860	(25,416)	11,013	(262)	432	(41)	3,873	(89)	5.25	(0.19)
FY2007	8,338,920	211,616	359,636	40,776	10,901	(112)	470	38	4,048	175	5.29	0.04
FY2008	8,132,632	(206,288)	349,994	(9,642)	10,078	(823)	434	(36)	3,943	(105)	4.89	(0.41)
FY2009	7,921,216	(211,416)	343,707	(6,287)	9,660	(418)	419	(15)	3,848	(95)	4.69	(0.19)
FY2010	7,435,466	(485,750)	362,622	18,915	9,214	(446)	449	30	3,631	(217)	4.50	(0.19)
FY2011	6,079,696	(1,355,770)	319,200	(43,422)	7,686	(1,528)	404	(46)	3,020	(611)	3.82	(0.68)
FY2012	6,272,280	192,584	341,276	22,076	7,715	29	420	29	3,143	123	3.87	0.05
FY2013	6,413,800	141,520	304,248	(37,028)	7,297	(418)	346	(418)	3,114	(29)	3.54	(0.32)

* The volume of greenhouse gas emissions is calculated according to the method specified in the System Plans for Countermeasures against Global Warming issued in the Tokyo Metropolitan Office Ordinance on Environmental Preservation.

Ongoing Dialogue with Stakeholders and Society

energy use. Going forward, we will continue to strengthen our environmental management systems and reduce our environmental footprint in our contributions to the creation of a sustainable society.

Tree-Planting Program

The TSE Listing Forest began in June 2004 in Yurihonjo, Akita Prefecture. Each year, saplings are planted with the hope that the exchange will grow and prosper along with newly planted saplings. Tree-planting activities are also intended to heighten the awareness of environmental conservation among younger employees.

FY2013 marked the 10th year of this activity. A total of 50 participants, including JPX employees, groups from Yurihonjo, and others planted a total of 70 trees.

In conjunction with the tree-planting activities, local elementary schools were also presented with a program entitled “Our Livelihood and Stock Corporations” with the aim of deepening their understanding of the economy.



Tree planting in the TSE Listing Forest



Contributing to the Community

JPX actively participates in events that give back to local communities that support its activities on a daily basis.

In FY2013, activities contributing to the community included local cleanup drives and the Hie Sanno Festival, held in Tokyo’s Kabuto-cho neighborhood where Tokyo Stock Exchange is located. In the Kabuto-cho area, employees participate in

cleanup activities sponsored by the Nihonbashi Preservation Committee. In addition, in Osaka’s neighborhood, JPX employees cooperate in the beautification of Sakai-suji, one of Osaka’s renowned main streets.

These community outreach programs help to promote awareness among employees of corporate citizenship and the environment. Looking ahead, JPX will step up participation in these events and conduct activities that support and encourage giving back and rejuvenating the community.



Group photo of participants in the Hie Sanno Festival (in Kabuto-cho) who carried the portable shrine. Joining this event allows employees to get to know one another better, meet other people working in Kabuto-cho, and experience the centuries-old culture of the area.

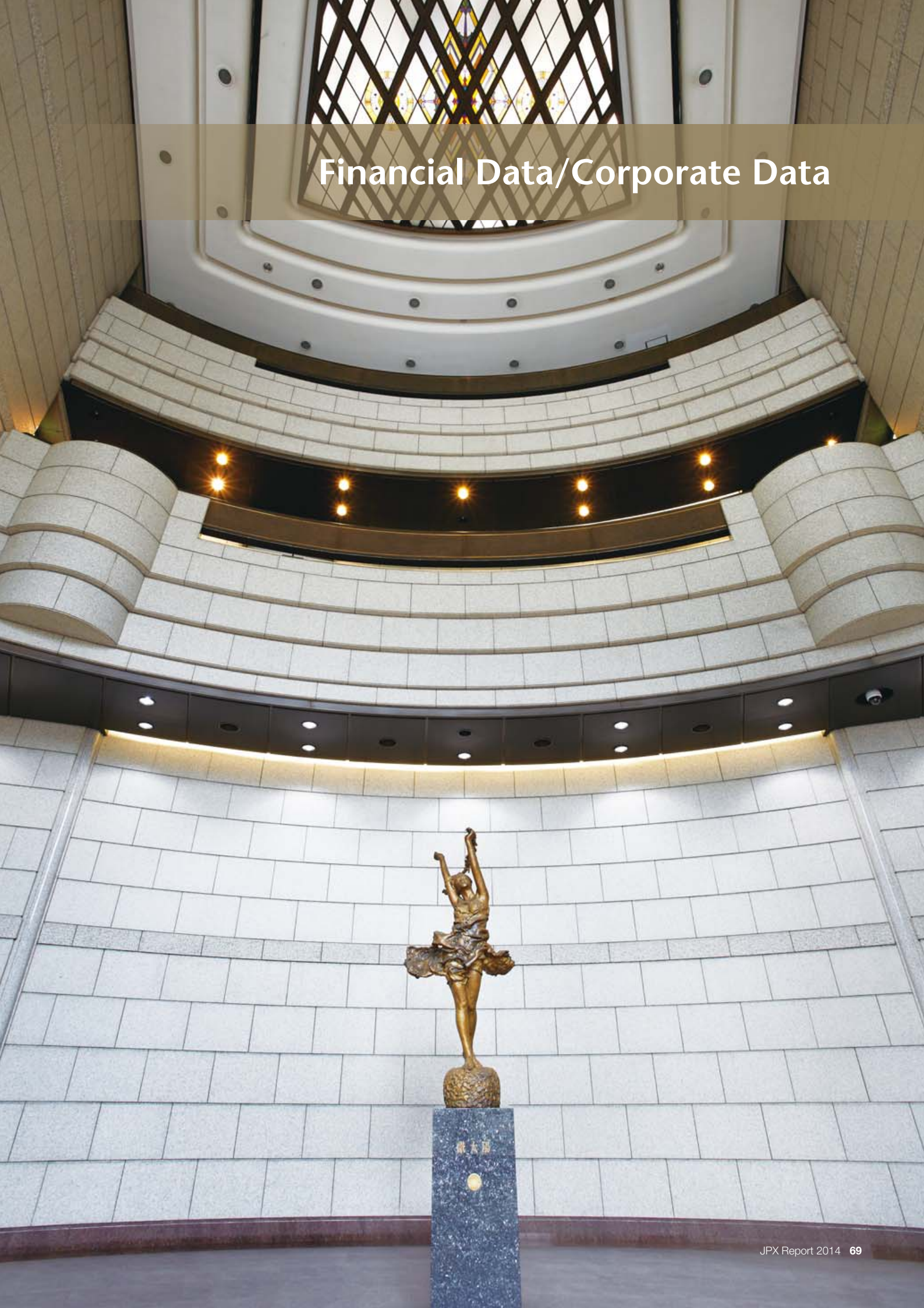


Employees participating in the Nihonbashi cleanup event sponsored by the Nihonbashi Preservation Committee



Employees volunteering in beautification activities along Osaka’s Sakai-suji (Sakai Boulevard)

Financial Data/Corporate Data



Review of Operations and Financial Condition

Note: To facilitate comparison with FY2013 figures, the FY2012 consolidated results include the FY2012 half-year earnings results of Osaka Securities Exchange before the business combination.

Financial Highlights of FY2013

	(Millions of yen)		
	FY2012	FY2013	
		Year on year (%)	
Operating Revenue	82,504	116,251	40.9
Operating Expenses	59,633	65,131	9.2
Operating Income	22,871	51,120	123.5
Ordinary Income	25,259	52,801	109.0
Net Income	12,953	29,835	130.3
EBITDA	36,994	68,241	
Dividend per Share ¹ (yen)	16.00	43.00	
ROE ² (%)	8.7	18.8	

Notes: 1. Total of 2Q and end-of-year. (Figures include stock split conducted in Oct. 2013.)

2. ROE is calculated excluding special assets for default. In calculating the ROE for FY2012, the figure used for shareholders' equity was as of the end of FY2012.

Average Daily Trading Value/Volume of Major Products

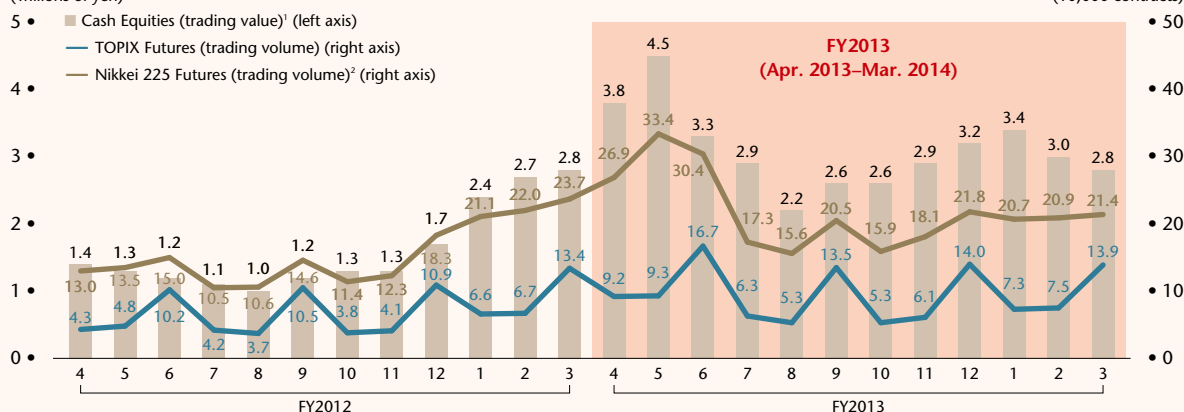
	FY2012	FY2013	
		Year on year (%)	
Equities (trading value) ¹	¥1,606.1 billion	¥3,098.8 billion	92.9
TOPIX Futures (trading volume)	68,204 contracts	94,297 contracts	38.3
Nikkei 225 Futures ² (trading volume)	153,087 contracts	218,618 contracts	42.8
Nikkei 225 Options (trading value)	¥23.5 billion	¥40.0 billion	69.8
10-year JGB Futures (trading volume)	38,700 contracts	34,975 contracts	(9.6)

Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

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

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

(Trillions of yen) (10,000 contracts)



Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

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

Business Report for Consolidated Fiscal Year

During this consolidated fiscal year, due to the Abe administration's economic policy and monetary easing by the Bank of Japan, consumer spending increased and corporate production improved, while the Japanese economy continued its modest recovery. The stock market also transitioned to firmer conditions. At the end of this fiscal year, TOPIX reached 1,202.89 points (+168.18 points, hereafter year-on-year comparisons) and the Nikkei 225 rose to ¥14,827.83 (+¥2,429.92), while the overall market capitalization of the TSE 1st Section, 2nd Section, and Mothers markets grew to ¥435 trillion (+¥70 trillion).

Under such circumstances, JPX (meaning the corporate group comprising the Company and its subsidiaries in this Business Report) aimed for the realization of our future vision of becoming "the most preferred exchange in Asia, providing high-quality services with creativity, reliability, and a dedication to the public," while working on initiatives based on our core strategies— "Creation of a new Japanese stock market,"

"Expansion of the derivatives market," and "Expansion of exchange business fields," set forth in our Medium-Term Management Plan for FY2013 to FY2015.

Equally, we focused on work toward the "Early realization of business combination benefits" and integrated our cash equity markets, clearing organizations, and self-regulatory functions on July 16, 2013 and also integrated the derivatives markets on March 24, 2014.

The consolidated results of JPX during the fiscal year ended March 31, 2014 included operating revenue of ¥116,251 million, operating expenses of ¥65,131 million, operating income of ¥51,120 million, ordinary income of ¥52,801 million, and net income of ¥29,835 million.

The annual dividend was ¥43 per share after adjusting for the 5-for-1 stock split conducted on October 1, 2013, and the corresponding dividend payout ratio was calculated to be approximately 40% based on the average number of shares outstanding of about 274 million shares.

Consolidated Statements of Income

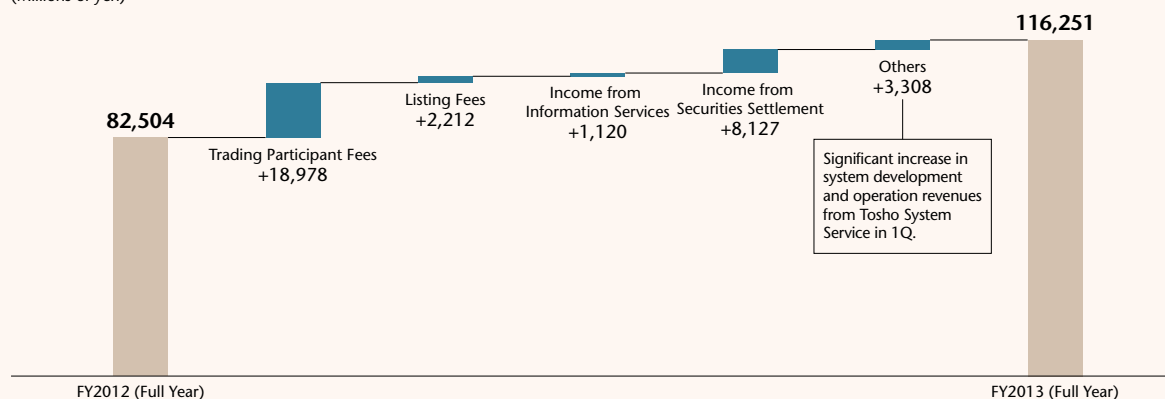
■ Operating Revenue

During the fiscal year, vibrant market conditions resulted in a ¥18,978 million increase in "Trading Participant Fees" while yen-denominated clearing services, launched by JSCC in October 2012, contributed to a ¥8,127 million gain in "Income from Securities Settlement."

An increase in the number of IPOs and large-scale public offerings by listed companies and REITs also pushed "Listing Fees" up by ¥2,212 million to significantly boost overall operating revenue.

Operating Revenue

(Millions of yen)



Review of Operations and Financial Condition

Operating Revenue

	FY2012 (Apr. 1, 2012–Mar. 31, 2013)		FY2013 (Apr. 1, 2013–Mar. 31, 2014)		
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Year on year
Trading Participant Fees	35,177	42.6%	54,155	46.6%	53.9%
Transaction Fees	26,696		45,347		69.9%
Cash Equities	16,105	60.3% ¹	32,058	70.7% ¹	99.1%
Derivatives	10,590	39.7% ¹	13,288	29.3% ¹	25.5%
TOPIX Futures	1,526		1,952		28.0%
Nikkei 225 Futures (incl. mini)	3,415		4,795		40.4%
Nikkei 225 Options	3,621		4,661		28.7%
10-year JGB Futures	1,770		1,625		(8.2%)
Others	256		253		(1.1%)
Basic Fees	1,451		1,183		(18.5%)
Access Fees	4,440		4,980		12.1%
Trading System Facilities Usage Fees	2,481		2,544		2.5%
Others	108		101		(6.7%)
Income from Securities Settlement	12,206	14.8%	20,334	17.5%	66.6%
Listing Fees	10,095	12.2%	12,308	10.6%	21.9%
Initial/Additional Listing Fees	3,265		5,287		61.9%
Annual Listing Fees	6,830		7,020		2.8%
Income from Information Services	14,995	18.2%	16,116	13.9%	7.5%
Other Operating Revenue	10,028	12.2%	13,336	11.5%	33.0%
Total	82,504	100.0%	116,251	100.0%	40.9%

Note: 1. Figures indicate percentage of Transaction Fees.

<Reference>

	FY2012 (Apr. 1, 2012–Mar. 31, 2013)		FY2013 (Apr. 1, 2013–Mar. 31, 2014)	
	As of Mar. 31, 2013		As of Mar. 31, 2014	
TOPIX	695.51 points–1,058.10 points	1,034.71 points	991.34 points–1,306.23 points	1,202.89 points
Nikkei 225	¥8,295.63–¥12,635.69	¥12,397.91	¥12,003.43–¥16,291.31	¥14,827.83
Market Capitalization ¹	¥244,661.9 billion–¥373,132.5 billion	¥365,452.2 billion	¥350,135.2 billion–¥469,458.7 billion	¥435,611.9 billion

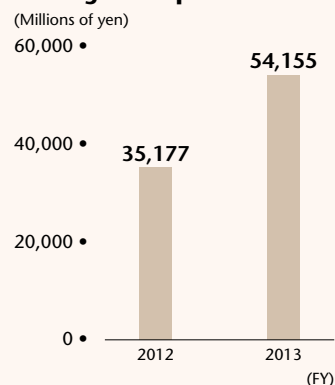
Note: 1. Market capitalization of the TSE 1st Section, 2nd Section, and Mothers markets.

1. Trading participant fees

Trading participant fees comprise “Basic Fees” based on the types of the trading participant’s trading qualification, “Transaction Fees” based on the value of securities traded or volume of derivatives traded, “Access Fees” based on the number of orders, and “Trading System Facilities Usage Fees” based on the types of trading system facilities used.

During the fiscal year ended March 31, 2014, trading participant fees increased to ¥54,155 million.

Trading Participant Fees

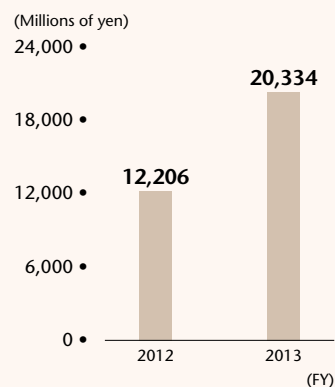


2. Income from securities settlement

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

During the fiscal year ended March 31, 2014, income from securities settlement increased to ¥20,334 million.

Income from Securities Settlement

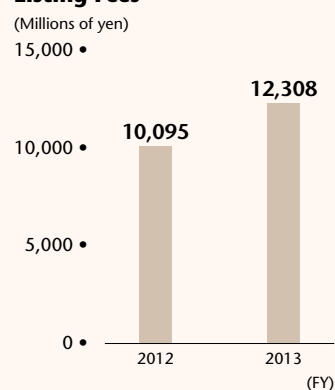


3. Listing fees

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

During the fiscal year ended March 31, 2014, listing fees increased to ¥12,308 million.

Listing Fees



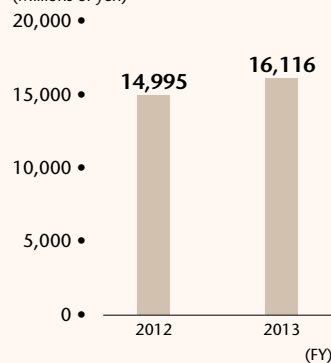
4. Income from information services

Income from information services is comprised of income related to the provision of corporate action information and various other information, primarily consisting of fees for market information provided to information vendors (market information fees), and also income related to the index business.

During the fiscal year ended March 31, 2014, income from information services increased to ¥16,116 million.

Income from Information Services

(Millions of yen)



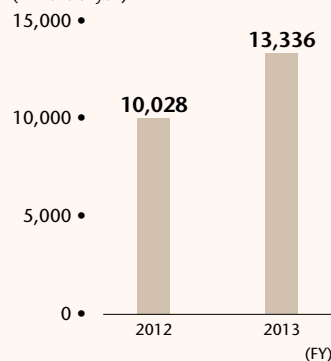
5. Other operating revenue

Other operating revenue consists of "Network Line Usage Fees," "Co-location Usage Fees," "Proximity Usage Fees," and fees for system development and operations provided by TOSHO SYSTEM SERVICE Co., Ltd. "Network Line Usage Fees" are related to use of the networks which connect trading systems, market information systems, etc. to trading participants and users. "Co-location Usage Fees" are those for using the service which allows trading participants to place their devices, etc. within the system center for the purpose of accelerating trade execution, etc. "Proximity Usage Fees" are those for using the proximity service which diversifies connectivity to domestic and foreign markets, and can be used by trading participants and market-related parties, such as information vendors.

During the fiscal year ended March 31, 2014, other operating revenue increased to ¥13,336 million.

Other Operating Revenue

(Millions of yen)

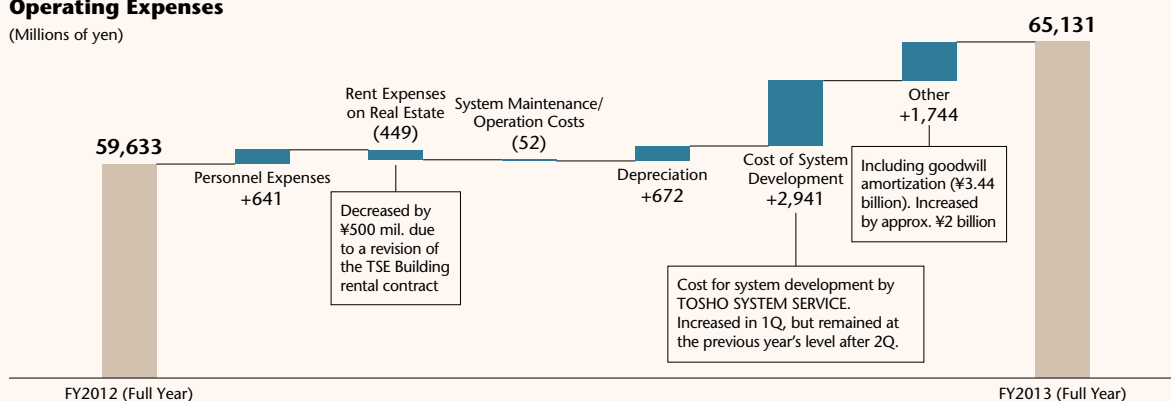


■ Operating Expenses

Operating expenses increased to ¥65,131 million due to accelerated depreciation accompanying system integration and goodwill amortization.

Operating Expenses

(Millions of yen)



Operating Expenses

	(Millions of yen)	
	FY2012 (Apr. 1, 2012-Mar. 31, 2013)	FY2013 (Apr. 1, 2013-Mar. 31, 2014)
Personnel Expenses	14,499	15,141
Rent Expenses on Real Estate	6,349	5,900
System Maintenance & Operation Costs	11,686	11,642
Depreciation	12,741	13,413
Cost of System Development	4,666	7,608
Other	9,688	11,425
Total	59,633	65,131

■ Adoption of IFRS

From the perspective of facilitating comparisons of financial results of JPX with other exchanges located overseas and increasing investor convenience, JPX will be voluntarily adopting International Financial Reporting Standards (IFRS) to its disclosure material from the fiscal year ending March 2015 onward. The primary impact of IFRS adoption is an expected gain of ¥3.5 billion in incomes due mainly to the exclusion of goodwill amortization (¥3.44 billion annually).

■ Policy Regarding Decisions on Dividends Paid Out of Retained Earnings

While maintaining an awareness of the necessity of internal reserves for the purpose of system development for improving our competitiveness and improving self-regulatory functions as an exchange, and for the purpose of being prepared for risks as a clearing institution, JPX maintains its stance toward stable and continuous payment of dividends, specifically aiming at a target dividend payout ratio of approximately 40%.

Disclosure Schedule

Accounting period	Disclosure materials	Accounting standards	
FY2013	Fiscal year-end	Earnings results	Japanese Standards
		Consolidated financial statements	Japanese Standards
		Securities report	
FY2014	1Q-3Q	Quarterly earnings results	Japanese Standards
		Quarterly reports	
	Fiscal year-end	Earnings results	IFRS
		Consolidated financial statements	
		Securities report	

Surplus dividends for record dates falling within the business year are as follows.

Record date	Total dividend (Millions of yen)	Dividend per share (Yen)
September 30, 2013	4,392	16
March 31, 2014	7,412	27
FY2013 Total	11,804	43

Note: 1. This figure considers the increase in the number of shares outstanding due to the 5-for-1 stock split conducted on October 1, 2013. Actual dividend per share before said stock split was ¥80 per share.

Review of Operations and Financial Condition

Assets, Liabilities, and Equity

Clearing deposit money, etc. (margin funds for derivatives, and when-issued transactions, deposits received for clearing funds, and deposits received as collateral for facilitating settlement), legal guarantee funds, deposits received as trading participant security money, and default compensation reserve funds, all of which hedge risks of securities trading based on various rules, are recorded as assets and liabilities. Out of these assets and liabilities, clearing deposit money, etc. is large in amount and fluctuates daily in line with clearing participants' positions and stock price movements, and, as a result, the amounts of JPX's assets and liabilities are significantly impacted by fluctuations in these clearing funds, etc.

Total assets as of March 31, 2014 increased ¥127,327 million from the end of the previous fiscal year to ¥1,403,713 million as a result of an increase in clearing deposit money, etc. due to an increase in trading, etc. Excluding clearing deposit money, etc., legal guarantee funds, and default compensation

reserve funds, assets decreased by ¥24,978 million from the end of the previous fiscal year to ¥262,570 million due to factors such as a decrease in cash deposits in connection with accelerated repayment of short-term loans.

Total liabilities as of March 31, 2014 increased ¥104,386 million from the end of the previous fiscal year to ¥1,201,694 million as a result of an increase in clearing deposit money, etc. Excluding clearing deposit money, etc., legal guarantee funds, and deposits received as trading participant security money, liabilities decreased ¥49,533 million from the end of the previous fiscal year to ¥83,716 million due to repayment of loans.

Total net assets as of March 31, 2014 increased ¥22,941 million from the end of the previous fiscal year to ¥202,018 million as the result of including net income under retained earnings. In addition, after excluding default compensation reserve funds, total net assets were ¥174,070 million.

<Reference>

	Total assets (Millions of yen)	Total net assets (Millions of yen)	Equity capital ratio (%)	Net assets per share (Yen)
As of Mar. 31, 2013	1,276,386 (287,548)	179,077 (151,129)	13.8 (51.7)	643.01 (541.21)
As of Mar. 31, 2014	1,403,713 (262,570)	202,018 (174,070)	14.0 (64.1)	715.19 (613.39)

* Figures in parentheses under "Total assets" exclude clearing deposit money, etc., legal guarantee funds, and default compensation reserve funds (hereinafter collectively special assets).

** Figures in parentheses under "Total net assets" exclude default compensation reserve funds.

*** Figures in parentheses under "Equity capital ratio" and "Net assets per share" are calculated excluding special assets from total assets, and excluding default compensation reserve funds from total net assets.

Cash Flows

During the fiscal year ended March 31, 2014, cash and cash equivalents increased ¥21,404 million from the end of the previous fiscal year to ¥50,713 million due to considerable cash inflow from operating activities.

Cash flow from operating activities

There was a cash inflow of ¥62,722 million from operating activities mainly as a result of adding ¥13,792 million in depreciation and amortization and ¥11,542 million in income taxes paid to ¥51,304 million in income before income taxes and minority interests.

Cash flow from investing activities

There was a cash inflow of ¥30,035 million from investing activities mainly because proceeds from withdrawal of time deposits exceeded payments into time deposits by ¥38,400 million.

Cash flow from financing activities

There was a cash outflow of ¥71,362 million from financing activities mainly due to repayment of long-term loans payable.

Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
1 Cash and deposits	¥ 120,808	¥ 103,813
Operating accounts receivable	8,716	8,995
Securities	—	802
Work in process	2,467	61
Deferred tax assets	1,282	2,168
2 Margin funds for derivatives, etc. and when-issued transactions	789,201	913,437
Deposits for clearing funds	161,086	188,734
Deposits as collateral for facilitating settlement	10,000	10,500
Other	1,912	2,729
Allowance for doubtful accounts	(9)	(12)
Total current assets	1,095,466	1,231,231
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,207	8,170
Accumulated depreciation	(6,681)	(6,750)
Buildings and structures, net	2,525	1,419
Land	1,587	1,297
Construction in progress	—	26
Other	19,776	16,867
Accumulated depreciation	(15,216)	(12,544)
Other, net	4,560	4,322
Total property, plant and equipment	8,673	7,066
Intangible assets		
Goodwill	67,374	63,932
Other	23,370	23,878
Total intangible assets	90,744	87,810
Investments and other assets		
Investment securities	41,304	37,344
Long-term loans receivable	37	29
Deferred tax assets	2,682	3,006
Net defined benefit asset	—	2,914
3 Legal guarantee funds	600	522
4 Special assets for default compensation reserve funds	27,948	27,948
Other	9,105	5,977
Allowance for doubtful accounts	(177)	(138)
Total investments and other assets	81,501	77,605
Total non-current assets	180,919	172,482
Total assets	¥1,276,386	¥1,403,713

Financial Terms

- 1** Deposits received as trading participant security money
TSE receives deposits of money from its trading participants for the purpose of covering the risk of the trading participants defaulting on their obligations. This amount is recorded under assets as cash and deposits and under liabilities as deposits received as trading participant security money.
- 2** Margin funds for derivatives and when-issued transactions, deposits for clearing funds, deposits as collateral for facilitating settlement, margin funds received for derivatives and when-issued transactions, deposits received for clearing funds, deposits received as collateral for facilitating settlement
JSCC receives deposits of money from their clearing participants for the purpose of covering the risk of the clearing participants defaulting on their obligations. These amounts are recorded under both assets and liabilities in the corresponding items indicated for deposits.

	(Millions of yen)	
	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Operating accounts payable	¥ 3,221	¥ 2,994
Short-term loans payable	18,670	32,500
Current portion of long-term loans payable	86,399	—
Income taxes payable	6,312	17,600
Provision for bonuses	1,223	1,420
Provision for directors' bonuses	252	366
2 Margin funds received for derivatives, etc. and when-issued transactions	789,201	913,437
Deposits received for clearing funds	161,086	188,734
Deposits received as collateral for facilitating settlement	10,000	10,500
1 Deposits received as trading participant security money	3,169	4,783
Other	3,620	5,937
Total current liabilities	1,083,157	1,178,274
Non-current liabilities		
Long-term loans payable	—	10,000
Deferred tax liabilities	5,047	4,448
Provision for retirement benefits	7,580	—
Net defined benefit liability	—	7,465
3 Returnable legal guarantee funds	600	522
Other	922	983
Total non-current liabilities	14,151	23,420
Total liabilities	1,097,308	1,201,694
Net assets		
Shareholders' equity		
Capital stock	11,500	11,500
Capital surplus	59,726	59,726
4 Retained earnings	96,213	117,264
Treasury shares	—	(5)
Total shareholders' equity	167,440	188,485
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,088	8,006
Remeasurements of defined benefit plans	—	(149)
Total accumulated other comprehensive income	9,088	7,857
Minority interests	2,548	5,675
Total net assets	179,077	202,018
Total liabilities and net assets	¥1,276,386	¥1,403,713

- 3** Legal guarantee funds, returnable legal guarantee funds
TSE and OSE receive deposits of money from their trading participants for the purpose of covering the risk of entrustors of securities trading, etc. that arises from the trading participants defaulting on their obligations. These amounts are recorded under both assets and liabilities.
- 4** Special assets for default compensation reserve funds
JPX has reserve funds for the purpose of compensating losses incurred in the clearing operations of JSCC. This amount is recorded under assets as special assets for default compensation reserve funds.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income/ Consolidated Statements of Cash Flows

Consolidated Statements of Income	(Millions of yen)
	Fiscal year ended March 31, 2014
Operating revenue	
Trading participant fees	¥ 54,155
Listing fees	12,308
Income from information services	16,116
Income from securities settlement	20,334
Other	13,336
Total operating revenue	116,251
Operating expenses	
Personnel expenses	15,141
System maintenance & operation costs	11,642
Depreciation	13,413
Cost of system development	7,608
Other	17,325
Total operating expenses	65,131
Operating income	51,120
Non-operating income	
Interest income	248
Dividend income	1,275
Share of profit of entities accounted for using equity method	55
Other	206
Total non-operating income	1,786
Non-operating expenses	
Interest expenses	81
Share issuance cost	14
Other	8
Total non-operating expenses	105
Ordinary income	52,801
Extraordinary losses	
Impairment loss	1,203
Extra retirement payments	203
Other	89
Total extraordinary losses	1,497
Income before income taxes and minority interests	51,304
Income taxes—current	22,357
Income taxes—deferred	(1,125)
Total income taxes	21,231
Income before minority interests	30,072
Minority interests in income	236
Net income	¥ 29,835

Consolidated Statements of Comprehensive Income	(Millions of yen)
	Fiscal year ended March 31, 2014
Income before minority interests	¥30,072
Other comprehensive income	
Valuation difference on available-for-sale securities	(1,082)
Share of other comprehensive income of entities accounted for using equity method	0
Total other comprehensive income	(1,082)
Comprehensive income	28,990
Comprehensive income attributable to:	
Comprehensive income attributable to owners of the parent	28,753
Comprehensive income attributable to minority interests	¥ 236

Consolidated Statements of Cash Flows	(Millions of yen)
	Fiscal year ended March 31, 2014
Cash flows from operating activities	
Income before income taxes and minority interests	¥ 51,304
Depreciation	13,792
Impairment loss	1,203
Amortization of goodwill	3,442
Increase (decrease) in allowance for doubtful accounts	(8)
Increase (decrease) in provision for bonuses	197
Increase (decrease) in provision for directors' bonuses	113
Increase (decrease) in net defined benefit liability	(337)
Decrease (increase) in net defined benefit assets	(5)
Interest and dividend income	(1,524)
Interest expenses	81
Share of (profit) loss of entities accounted for using equity method	(55)
Decrease (increase) in operating receivables	(166)
Decrease (increase) in inventories	2,405
Increase (decrease) in operating debt	(245)
Other, net	2,345
Subtotal	72,544
Interest and dividend income received	1,802
Interest expenses paid	(82)
Income taxes paid	(11,542)
Net cash provided by (used in) operating activities	62,722
Cash flows from investing activities	
Payments into time deposits	(65,700)
Proceeds from withdrawal of time deposits	104,100
Purchase of property, plant and equipment	(1,808)
Proceeds from sales of property, plant and equipment	0
Purchase of intangible assets	(9,825)
Purchase of investment securities	(533)
Proceeds from sales of investment securities	100
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3,592
Other, net	109
Net cash provided by (used in) investing activities	30,035
Cash flows from financing activities	
Increase in short-term loans payable	32,500
Decrease in short-term loans payable	(18,670)
Proceeds from long-term loans payable	10,000
Repayments of long-term loans payable	(86,399)
Purchase of treasury shares	(5)
Cash dividends paid	(8,785)
Cash dividends paid to minority shareholders	(2)
Net cash provided by (used in) financing activities	(71,362)
Effect of exchange rate change on cash and cash equivalents	8
Net increase (decrease) in cash and cash equivalents	21,404
Cash and cash equivalents at beginning of period	29,308
Cash and cash equivalents at end of period	¥ 50,713

Consolidated Statements of Change in Equity

	(Millions of yen)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Fiscal year ended March 31, 2014					
Balance at the beginning of current period	¥11,500	¥59,726	¥ 96,213	¥ —	¥167,440
Changes of items during the period					
Dividends from surplus	—	—	(8,785)	—	(8,785)
Net income	—	—	29,835	—	29,835
Purchase of treasury shares	—	—	—	(5)	(5)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	21,050	(5)	21,045
Balance at the end of current period	¥11,500	¥59,726	¥117,264	¥(5)	¥188,485

	(Millions of yen)				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Fiscal year ended March 31, 2014					
Balance at the beginning of current period	¥9,088	¥ —	¥9,088	¥2,548	¥179,077
Changes of items during the period					
Dividends of surplus	—	—	—	—	(8,785)
Net income	—	—	—	—	29,835
Purchase of treasury shares	—	—	—	—	(5)
Net changes of items other than shareholders' equity	(1,082)	(149)	(1,231)	3,127	1,896
Total changes of items during period	(1,082)	(149)	(1,231)	3,127	22,941
Balance at the end of current period	¥8,006	¥(149)	¥7,857	¥5,675	¥202,018

Market Data

TOPIX OHLC Prices (Apr. 1, 2013-Mar. 31, 2014)

Open	High	Low	Close	(Points)
1,000.57 (Apr. 1)	1,306.23 (Jan. 8)	991.34 (Apr. 2)	1,202.89 (Mar. 31)	

Note: Based on closing price of each trading day

Trading Value/Volume

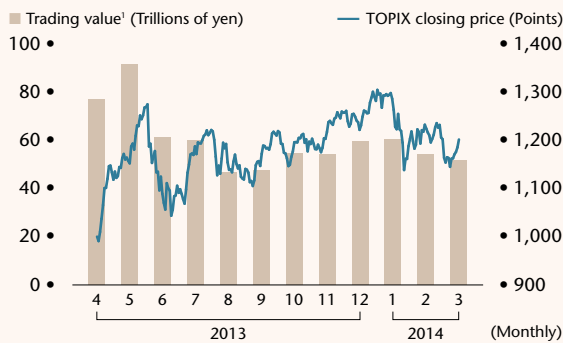
	FY2012 Full Year (Apr. 1, 2012–Mar. 31, 2013)	1Q (Apr. 1, 2013–June 30, 2013)	2Q (July 1, 2013–Sept. 30, 2013)	3Q (Oct. 1, 2013–Dec. 31, 2013)	4Q (Jan. 1, 2014–Mar. 31, 2014)	FY2013 Full Year (Apr. 1, 2013–Mar. 31, 2014)
Cash Equities Trading Value ¹ (Millions of yen)	393,487,304	240,940,763	162,433,027	178,866,213	176,957,765	759,197,769
TSE market 1st/2nd sections ³	369,265,125	214,059,115	143,333,854	151,527,314	152,254,413	661,174,697
Mothers ²	5,798,596	7,453,258	5,545,080	11,499,388	8,276,773	32,774,501
JASDAQ ²	7,446,091	9,207,734	6,233,226	6,203,970	6,448,238	28,093,170
ETFs/ETNs, REITs, etc.	10,977,660	10,220,654	7,320,863	9,635,497	9,978,334	37,155,350
Derivatives Trading Volume (Contracts)						
(Nikkei 225 Options on a value basis)						
TOPIX Futures	16,710,007	7,207,955	5,118,622	5,191,516	5,584,606	23,102,699
Total Nikkei 225 Futures ⁴	37,506,240	18,764,763	11,139,399	11,462,951	12,194,518	53,561,632
Nikkei 225 Futures	22,023,678	10,373,289	6,408,145	6,756,891	6,980,710	30,519,035
Nikkei 225 mini	154,825,621	83,914,741	47,312,547	47,060,600	52,138,082	230,425,970
Nikkei 225 Options (Millions of yen)	5,767,127	3,968,040	1,895,032	1,970,855	1,956,052	9,789,980
10-year JGB Futures	9,481,403	2,648,616	1,789,770	2,014,239	2,116,294	8,568,919

Average Daily Trading Value/Volume

	FY2012 Full Year (Apr. 1, 2012–Mar. 31, 2013)	1Q (Apr. 1, 2013–June 30, 2013)	2Q (July 1, 2013–Sept. 30, 2013)	3Q (Oct. 1, 2013–Dec. 31, 2013)	4Q (Jan. 1, 2014–Mar. 31, 2014)	FY2013 Full Year (Apr. 1, 2013–Mar. 31, 2014)
Cash Equities Trading Value ¹ (Millions of yen)	1,606,071	3,886,141	2,578,302	2,884,939	3,050,996	3,098,766
Derivatives Trading Volume (Contracts)						
(Nikkei 225 Options on a value basis)						
TOPIX Futures	68,204	116,257	81,248	83,734	96,286	94,297
Total Nikkei 225 Futures ⁴	153,087	302,657	176,816	184,886	210,250	218,619
Nikkei 225 Futures	89,893	167,311	101,717	108,982	120,357	124,567
Nikkei 225 mini	631,941	1,353,464	750,993	759,042	898,932	940,514
Nikkei 225 Options (Millions of yen)	23,539	64,001	30,080	31,788	33,725	39,959
10-year JGB Futures	38,700	42,720	28,409	32,488	36,488	34,975

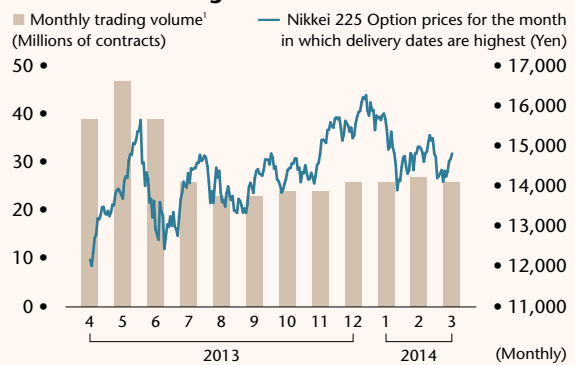
Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.
 2. Trading value of common stocks in the auction and off-auction trading
 3. Including trading value in former OSE 1st/2nd sections
 4. Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

Trends in TOPIX and Equity Trading Value



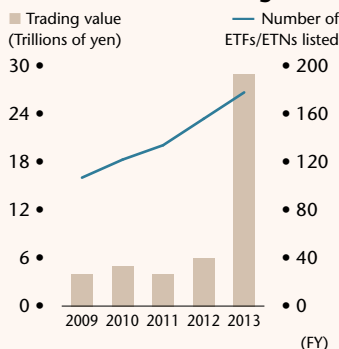
Note: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, and TOKYO PRO Market.

Derivatives Trading Volume

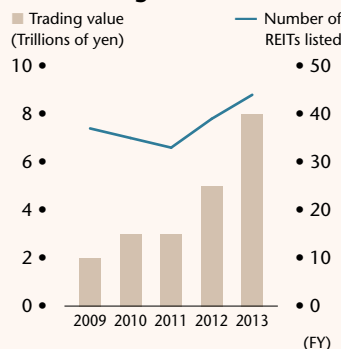


Note: 1. Summation of transaction value in all derivatives

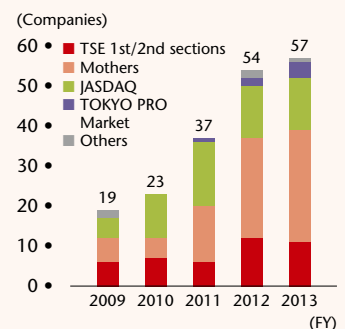
Annual ETF/ETN Trading Value



REIT Trading Value



IPOs in Japan



Corporate Information/Stock Information

(As of March 31, 2014)

Corporate Information

Company Name:	Japan Exchange Group, Inc.	Number of Employees: 1,161 (Consolidated)
Number of Directors:	14 directors, 8 executive officers (As of June 17, 2014)	Breakdown:
Location of Head Office:	2-1 Nihombashi-kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan	Japan Exchange Group, Inc. 209
Foundation:	April 1, 1949	Tokyo Stock Exchange, Inc. 443
Amount of Capital:	¥11,500 million	Osaka Exchange, Inc. 150
		Tokyo Stock Exchange Regulation ¹ 199
		Other consolidated subsidiaries 160

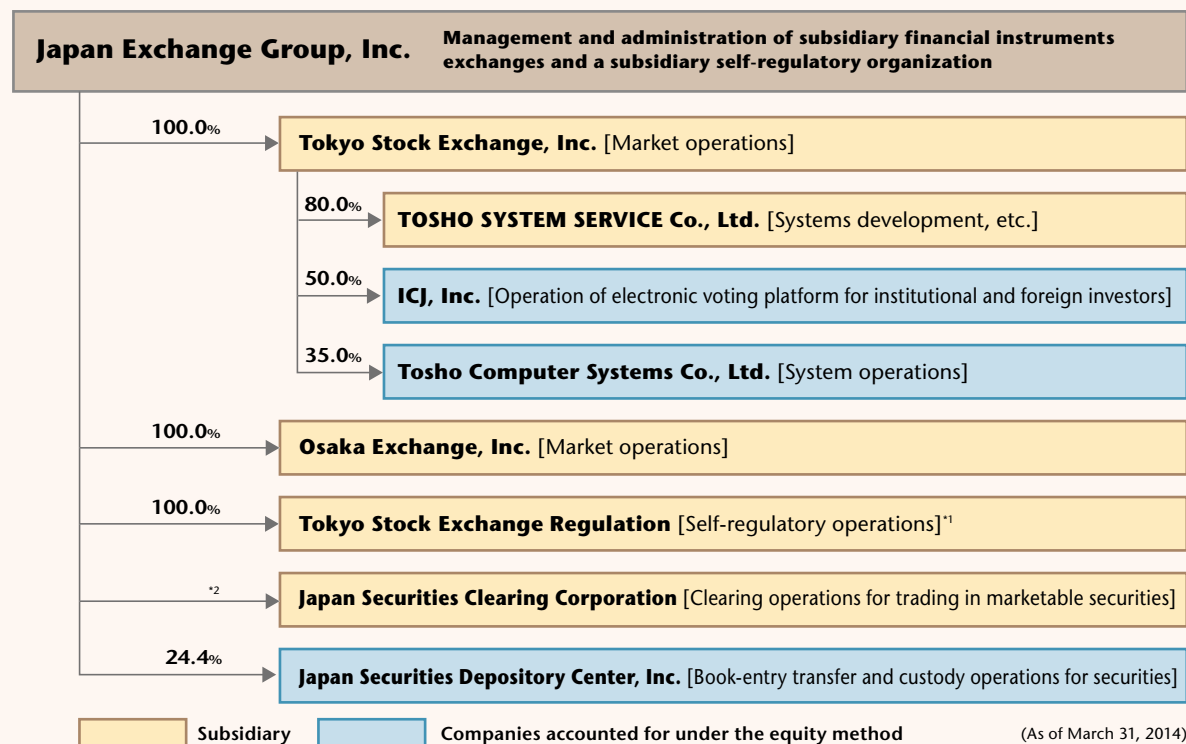
Note: 1. Tokyo Stock Exchange Regulation was renamed Japan Exchange Regulation on April 1, 2014.

Business Description:
Management of a stock company-type financial instruments exchange and other business incidental thereto

Information Regarding Corporate Group

The JPX corporate group comprises five subsidiaries and three companies accounted for under the equity method, and its primary operations are the development 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.



Notes: 1. Tokyo Stock Exchange Regulation was renamed Japan Exchange Regulation on April 1, 2014.

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

* Percentages indicate share of voting rights.

Corporate Information/Stock Information

Stock Information

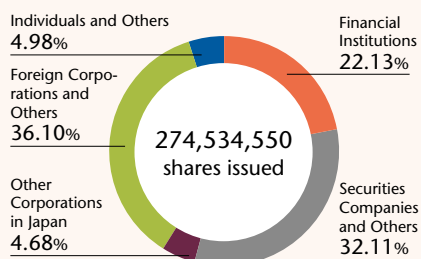
Stock Code: 8697
Listed Market: Tokyo Stock Exchange
 (1st Section)
Business Year: From April 1 to March 31
Annual General Shareholders' Meeting: In June
Record Date: Annual General
 Shareholders' Meeting March 31
 Year-end dividend March 31
 Interim dividend September 30
Number of Shares in One Trading Unit: 100 shares

Number of Shares:
 Total number of shares
 authorized to be issued: 1,090,000,000 shares
 Total number of shares issued: 274,534,550 shares
Number of Shareholders: 21,692

Basic Policy on Profit Distribution:
 Giving due consideration to the importance of internal reserves for the purpose of development of the system for strengthening competitiveness, etc. as an exchange, and for the purpose of being prepared for the risks as the clearing organization, JPX makes it a principle to conduct stable and continuous payment of dividends. Specifically, JPX aims at a target dividend payout ratio of around 40%.

JPX's Shareholders (As of March 31, 2014)

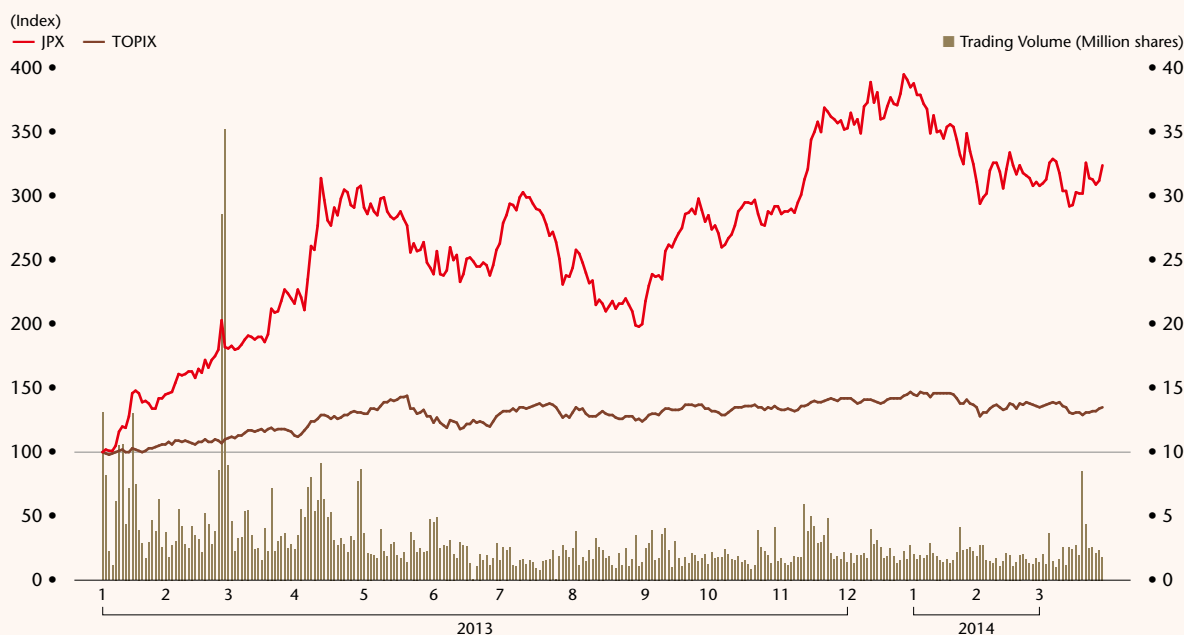
Distribution of Shareholders



Major Shareholders

	No. of Shares Held (thousands)	Percentage of Total (%)
SMBC Friend Securities Co., Ltd.	7,643	2.78
Japan Trustee Services Bank, Ltd. (Trust Account)	7,620	2.78
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	5,895	2.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,429	1.98
SAJAP	4,501	1.64
Mizuho Securities Co., Ltd.	4,418	1.61
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,778	1.38
Okachi Securities Co., Ltd.	3,575	1.30
THE TACHIBANA SECURITIES CO., LTD.	3,528	1.29
Ando Securities Co., Ltd.	3,234	1.18

JPX's Stock Price (Rebased to 100 on January 4, 2013)



Note: Listed on both the TSE 1st Section and JASDAQ from January 1 to July 15, 2013. Stock prices above are those on the TSE 1st Section. Trading volumes above are the total of those on the TSE 1st Section and JASDAQ. Due to a 5-for-1 stock split effective on October 1, 2013, the stock prices from January to September 2013 are calculated as 1/5.

About JPX Report 2014

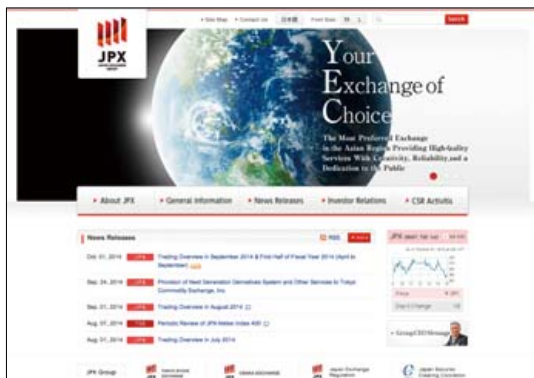
Japan Exchange Group (JPX) operates in accordance with the JPX Corporate Philosophy of achieving the sustainable development of securities markets and contributing to a more affluent society. We believe that by providing a fair and transparent exchange market, and securing the support and confidence of all stakeholders, we are promoting the sustainable development of the market, and accordingly increasing the corporate value of JPX. In preparing the JPX Report 2014, a review of our activities in FY2013 (April 2013 to March 2014), we referred to a number of guiding concepts, including those set forth in the International Integrated Reporting Framework issued by the International Integrated Reporting Council. Based on these concepts, and to better facilitate stakeholder understanding, the information in the JPX Report 2014 on the core JPX Corporate Philosophy, social raison d'être and the specific initiatives that originate from it, is presented from a long-term perspective.

This report is the first step for JPX toward integrated reporting. Looking ahead, we will work to expand and improve future JPX Reports, and look forward to your support.

October 2014

Website

For further details, please access our website.



About JPX

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

<http://www.jpx.co.jp/en/index.html> (English)



Investor Relations

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

<http://www.jpx.co.jp/en/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, pursuing "Creativity" in innovative solutions, building "Credibility" and public confidence, and achieving "Competency" by harnessing employee potential.

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.

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