

## Summary of Q&A at JPX Q2 FY2016 Financial Results Briefing

(held on Nov. 1, 2016)

( 1 )

Q: You have reduced your estimated revenues and expenses for the fiscal year to reflect changes in the management environment. Does this affect your plans to increase operating revenues as stated in the Medium-Term Management Plan?

A: We revised the earnings forecast in light of changes in the management environment in the first half of the fiscal year. However, by controlling our operating expenses, we maintained our income targets. Moreover, through securing the investment necessary for future growth, we aim to achieve our goal of increasing operating revenue by JPY 15 billion as stated in the Medium-Term Management Plan.

( 2 )

Q: The Medium-Term Management Plan indicates that JPX will broaden its ETF lineup and increase liquidity. For example, in the current low interest rate environment, the launch of high dividend ETFs and fixed income ETFs would boost trading volume, but is there a time frame for launching such products?

A: We are cooperating with ETF asset management companies and other external stakeholders on initiatives, including launching such ETFs, and targeting the milestones that we have set over the course of the three years of this Medium-Term Management Plan.

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Q: JPX published a working paper on blockchain technology. What is next?

A: As a result of proof of concept testing on blockchain technology, we confirmed the need for transaction confidentiality and for the involvement of a trusted third party institution to ensure the neutrality of the blockchain in the area of clearing and settlement in the financial instrument markets. We will now go on to identify and solve the issues with the aim of actually applying blockchain technology to capital markets infrastructure.

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Q: What cost reductions did you achieve in the first half of the fiscal year?

A: They were the accumulation of various minor cost reductions. As an example, system maintenance costs decreased due to more efficient system operations.

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Q: What are the grounds for the estimated derivatives trading volumes for the latter half of the fiscal year?

A: As a result of the improved system processing capabilities due to the replacement of the derivatives trading system in July and marketing efforts, new investors have joined the market, with others also planning to do so. The trading volume estimates were made based on these circumstances.

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Q: Do you have a target level for equity capital?

A: We may increase the necessary amount of equity capital in consideration of the following two factors: a) increased risk due to expansion of new businesses for creating a multi-faceted business portfolio through entry into new businesses, which is targeted in the Medium-Term Management Plan, and b) global regulatory trend related to building greater resilience into clearing organizations.

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Q: Is there any possibility that you will buyback more shares? Will you proceed to buyback shares, regardless of stock price levels?

A: At present, we have not decided on any further buybacks. Our current buyback program is aimed at rebalancing our capital and liabilities. If such acquisition does not proceed well, we will consider whether to conduct another round of buybacks after the current acquisition period ends.

( 8 )

Q: You mentioned rebalancing your capital and liabilities, so if the low interest rate environment is set to continue, will they affect your approach to shareholder returns and dividend payout ratio?

A: Our policy on shareholder returns is to target a dividend payout ratio of approximately 60% and flexibly consider shareholder returns while considering future growth investment. We raised the dividend payout ratio target from 40% to 60% in the previous fiscal year. Currently, we have no plans to change this.

( 9 )

Q: The Financial System Council is discussing relaxing regulations on PTS and inter-market competition. What areas do you expect to see competition? What measures will you take?

A: We understand that they are discussing, as an individual issue, whether to allow margin trading in PTS. However, we think that we must first secure fairness and transparency of the market as well as investor protection. If the entire market stands to benefit from competition and improved overall liquidity, then we think it will be a positive impact.

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Q: What is your view on the discussion about regulating HFT at the Financial System Council?

A: We hear that, in consideration of regulatory trends in Europe and the US, they recognize and respect the view that HFT function to provide liquidity, and that they are discussing to establish rules and frameworks to properly understand the actual situation. We think the discussion will lead to improved market transparency and reliability.