

JPX FY2019 Consolidated Financial Results  
Frequently Asked Questions (FAQ)

(April 2020)

( 1 )

Q: What is the impact of the novel coronavirus (COVID-19) outbreak on JPX business strategy?

A: The world economy and its markets have been significantly impacted by the COVID-19 outbreak. While we maintain employee safety and health as our top priority, JPX has implemented various business continuity measures in line with the idea that our biggest responsibility is to stably provide market functions, in order to "Keep the Market Secure". Each individual initiative will naturally be affected by the circumstances, and we intend to continue to respond flexibly with initiatives for the situation while maintaining the overarching framework of our core strategies.

( 2 )

Q: Operating expenses for FY2020 are expected to increase from FY2019. Can you provide a breakdown?

A: There are two main reasons behind the increase in operating expenses.

First is the increase in connection with integration with Tokyo Commodity Exchange (TOCOM). Since TOCOM became a consolidated subsidiary in October 2019, from FY2020 onward, expenses incurred in TOCOM over the entire accounting period will be reflected in JPX consolidated results, instead of only six months in FY2019.

Second is system-related expenses for, specifically, (1) measures to improve reliability as a market infrastructure, including developing the Kansai data center and implementing more sophisticated security measures; and (2) the transfer of commodity derivatives to OSE and the integration of clearinghouses to be implemented in July 2020.

( 3 )

Q: In the FY2019 financial results, you did not announce any special dividend or share buybacks that you implemented in the past few years, but do you have any plans for providing additional returns to shareholders?

A: Our policy for shareholder return is based on a dividend payout ratio of approximately 60%. Further returns to shareholders will be flexibly made considering matters such as

investment in future growth. Going forward, we will appropriately consider providing additional returns to shareholders by comprehensively taking into account matters such as the status of shareholders' equity as well as cash and deposits, investment plans for future growth, and external circumstances.

( 4 )

Q: With regard to the review of the cash equity market structure, when are you going to announce the structures for listing fees and trading fees? What will be the impact on JPX earnings?

A: The details of the rules for the new market segments are currently under consideration and the fee structures will be provided in an outline scheduled to be published by the end of 2020. In reviewing the market structure, we aim to raise the corporate value of listed companies and enhance the investment appeal of the Japanese market. In this way, we will secure the support and confidence of investors and market users through sustainable market development, and these efforts will help us reap rewards in the form of profits.

( 5 )

Q: With regard to the synergy effects from integrating with TOCOM, what is the current post-integration outlook?

A: With regard to the synergies from becoming a comprehensive exchange, we expect that TOCOM's current revenue could double in about three years depending on market conditions as liquidity is expected to increase with new inflows to the commodity derivatives market from the financial industry. With regard to when the effect of such synergy will be seen, the product transfer to OSE and integration of clearinghouses scheduled in July 2020 could be a driving force, but we expect to see a gradual increase in participants and trading volume since this depends on the response of market participants and such matters. We will coordinate with market participants and other related parties toward increasing synergies quickly.

( 6 )

Q: What is the outlook of future sales and earnings for the electricity futures market?

A: While seven months have passed since the launch of the electricity futures market last September, we still cannot consider that we have ample trading volume. This is due to the fact that only a limited number of electric power companies have developed systems for derivatives trading and also the current macroeconomic situation. It will take a certain

amount of time to raise the scale of the electricity futures market. However, we also see positive signs such as a steady increase in the number of electric power companies participating in the electricity futures market and growing interest in off-auction trading, which was introduced in March. Going forward, as progress is made in the reform of Japan's electricity system, we can expect a certain amount of revenue and income if it becomes more common for Japanese electric power companies to use the electricity futures market for hedging risk in the same way as in the US and Europe.