

Summary of Q&A at JPX Q2 FY2020 Financial Results Briefing

(held on October 29, 2020)

(1)

Q: What will be the impact of the TSE system failure that occurred on October 1, 2020 on JPX financial performance such as system-related expenses?

A: On October 28, along with the consolidated financial results for Q2 FY2020, we published a notice of revision to earnings forecast for FY2020. As part of the revision, we have added JPY 1 billion to expected annual operating expenses, increasing them to JPY 62.5 billion. Currently, it is difficult to precisely estimate expenses incurred through addressing the system failure, but they have been factored into this revision and are not currently expected to exceed the revised forecast.

(2)

Q: Has the TSE system failure changed the level of capital you consider necessary? Also, has the failure changed your policies on additional shareholder returns or investments?

A: With respect to the level of capital, as of the present, no arguments have been made that additional capital should be required in connection with the system failure.

The Investigation Committee established in relation to the system failure, which is comprised of JPX independent outside directors, is investigating our policy on long-term investment in systems as part of its mandate. Also considering the involvement of the financial authorities, we will be closely watching those developments while taking any necessary actions.

Currently, there are no large changes in our necessary levels of capital, investment policy, or shareholder returns policy. If any change arises, we will reflect it in the update on the medium-term management plan scheduled for next spring.

(3)

Q: In connection with the transfer of products listed on Tokyo Commodity Exchange (TOCOM) to Osaka Exchange (OSE) on July 27, 2020, have there been any structural changes such as in the number of securities companies that handle commodity derivatives? Also, what is your medium- to long-term growth scenario?

A: Five (5) securities companies have newly entered the commodity derivatives market in connection with the product transfer. Since the transfer, trading volume has grown, but with the recent decrease in volatility, among other things, movement has slowed down. However, commodity derivatives is one of our expected future growth businesses. In the

next two years, we aim for the market to grow to approximately double the size it was before TOCOM was consolidated into JPX, and we will continue striving to achieve this.

(4)

Q: With the TSE system failure, some people have been commenting on the high level of market concentration on TSE. Some argue that, if the market share of PTSs (proprietary trading systems), etc. in the Japanese market increases, it could curb the impact of a TSE trading halt to some extent. If any discussion arises in the future on deregulation to promote competition, how will JPX respond?

A: We consider deregulation regarding market concentration on TSE as something for the relevant authority to judge, considering the whole picture. Our main aim at the moment is to further improve the JPX markets, including for restoration of trust.

(5)

Q: It seems that some participants are making requests for reductions in fees charged by Japan Securities Clearing Corporation (JSCC). Are you able to accept such requests? If you were to accept fee reductions, would you be able to recover lost income through, for example, cost containment and diversification of revenues?

A: As reported by the media, we have received requests for reductions in JSCC fees from participants. Currently, JSCC, as a single entity, does not hold the amount of equity capital required by the international regulations on clearing organizations. As such, we need to first raise the capital amount to the target level. I think we will have to discuss how to address these requests after the capital amount has increased to the required level.

If JSCC reduces fees, we will procure funds for such reductions by increasing cost-effectiveness as much as possible while making necessary investments in consideration of the TSE system failure, etc. We would also like to increase revenues from derivatives by invigorating the entire derivatives market including commodity derivatives, and from data services through the provision of new services.