

Summary of Q&A at JPX FY2016 Financial Results Briefing

(held on May 1, 2017)

(1)

Q : Tell us about the progress made so far and future prospects for the targeted increase in operating revenue as stated in the 2nd Medium-Term Management Plan.

A : In FY2016, market conditions were slower than expected, which had a downward impact on the overall revenue conditions, while there were some areas in which we made greater progress than indicated in the Medium-Term Management Plan. For instance, we expanded our businesses related to ETF, and also managed to increase the number of ETF holders from around 570,000 to around 850,000. These helped to alleviate a revenue decline.

We are also making steady progress on expanding our peripheral business lines. We started providing our derivatives systems to Tokyo Commodity Exchange in September 2016, and the revenue is going to be included for the full year of FY2017.

We will continue to work toward creating a stable revenue base by steadily increasing the portion occupied by segments that are not easily swayed by market conditions.

(2)

Q : You indicated that your buyback program was aimed at not only shareholder returns but rebalancing capital and liabilities. How effective were the buybacks? Is there a possibility of another round?

A : We purchased our stock with approx.16% ROE, financed at a low cost, and we believe this was a very effective financial strategy in view of capital efficiency. As for shareholder returns, we have no plans to review the 60% dividend payout ratio for the time being. However, we will flexibly determine whether to buyback more shares depending on our capital needs arising from our investments including those for replacing our clearing systems and strengthening BCP.

(3)

Q : What is the breakdown for the JPY 53 billion operating expenses in the FY2017 forecast?

A : We have projected a year-on-year increase in operating expenses for FY2017, particularly for expenses for promoting ETFs and derivatives and R&D on future growth areas such as FinTech.

(4)

Q : What are future prospects for system-related costs?

A : System-related costs for FY2017 will be almost the same as those for FY2016. Capex for FY2016, the first year of our 2nd Medium-Term Management Plan, was slightly higher than JPY 10 billion. Although the total capex over next two years may still deviate from the projected amount due to future market conditions, we expect that, over three years, total capex will be approximately JPY 46 billion, which will be in line with previous projections, and almost evenly spread out over investments during FY2017 and FY2018.

(5)

Q : What profit-earning and cost reduction opportunities do you expect by using FinTech?

A : We cannot say anything definite about specific cost reductions from the use of FinTech at this time. However, we are conducting research and analysis on how to apply blockchain or DLT technology to securities market infrastructure. We think it can be applied to post-trade processes.

(6)

Q : What impact do you expect from the registration regime for high-frequency trading?

A : The registration regime will be in line with the regulatory trends in the U.S. and Europe, so we do not think that there will be any significant impact on the businesses of the JPX corporate group at this point. We will get a clearer picture of the details of the registration regime as we approach the next year, and we will look to cooperate on various aspects.

(7)

Q : If the targets for the Medium-Term Management Plan are not achieved, will the management be accountable?

A : If we fail to reach important targets for the Medium-Term Management Plan, for instance, if we do not achieve the targeted 10% ROE over the mid- to long-term, regardless of market conditions, then the management will have to be prepared to be held to account.