

Highlights of FY2019 Consolidated Financial Results

Material: Overview of Earnings for FY2019

Slide 4: Market Trends (Cash Equities)

Although cash equities average daily trading value sharply increased to JPY 5.0 trillion in March 2020, trading had been sluggish before the end of the fiscal year.

Annual trading value was JPY 3.0812 trillion, down 6.8% from the previous fiscal year.

Slide 5: Market Trends (Derivatives)

Annual trading volume of financial derivatives increased sharply toward the end of the fiscal year due to soaring volatility, reaching 412 million contracts, up 13.1% from the previous fiscal year, surpassing 400 million contracts for the first time since the market was established.

Commodity derivatives trading also increased toward the end of the fiscal year, with annual trading volume reaching 21.42 million contracts, up 1.7% from the previous fiscal year.

Slide 6: Operating Revenue

With the above market trends, the total of revenues from trading services was consistent with the previous year, as while trading values of cash equities decreased, trading volume of financial derivatives increased along with those from the new commodity derivatives consolidated from Tokyo Commodity Exchange (TOCOM).

Revenues from clearing services, especially for OTC products, increased.

Revenues from information services grew due to a) an increase in market data usage fees resulting from increased market data usage and b) an increase in index licensing fees resulting from the growth in ETF AUM.

Other operating revenues decreased due to a decline in income such as from service provision for trading systems, which was previously received from TOCOM, as a result of its consolidation.

As a result, overall operating revenue was JPY 123.6 billion, up JPY 2.5 billion or 2.1% from the previous fiscal year.

Slide 7: Operating Expenses

System maintenance & operation expenses and depreciation & amortization increased due mainly to development of the Kansai backup center and the upgrade to arrowhead, the cash equities trading system, in November 2019.

Depreciation & amortization and other operating expenses increased due mainly to the start of accelerated amortization and posting of financial advisor fees in connection with business integration with TOCOM.

As a result, overall operating expenses were JPY 58.5 billion, up JPY 4.4 billion or 8.2% from the previous fiscal year.

Slide 8: Highlights and FY2020 Forecast

FY2019 Annual Financial Results

Operating revenue slightly increased by 2.1% from the previous fiscal year due mainly to increases in derivatives trading as well as increased revenue from OTC clearing and information services. However, increases in system-related expenses and those related to the consolidation of TOCOM contributed to operating expenses increasing by 8.2% from the previous fiscal year, which exceeds the revenue increase.

As a result, operating income was JPY 68.5 billion, down JPY 1.0 billion or 1.4% from the previous fiscal year, and net income (attributable to owners of the parent company) was JPY 47.6 billion, down JPY 1.4 billion or 3.0% from the previous fiscal year.

FY2020 Earnings Forecast

The assumptions for forecasts are, based on the FY2019 results, average daily trading value for cash equities of JPY 3 trillion and total annual trading volume for derivatives of 400 million contracts.

Based on these assumptions, operating revenue is expected to be JPY 121.5 billion, down 1.8% year-on-year.

On the other hand, operating expenses are expected to be JPY 61.5 billion, up 5.1% year-on-year, due mainly to the expected increase in system-related expenses for improving reliability as a market infrastructure, including developing the Kansai data center, and expenses for creating a comprehensive exchange.

As a result, operating income is expected to be JPY 62.0 billion, down 9.5% year-on-year, and net income is expected to be JPY 42.5 billion, down 10.7% year-on-year.

Slide 9: Dividends, etc.

Ordinary dividend per share for FY2019 will be year-end dividend of JPY 30, bringing the total annual dividend to JPY 54, which is in line with our basic policy of achieving a dividend payout ratio of approximately 60%.

For the FY2020 forecast, per share dividend is expected to be JPY 48 for the full year based on this basic policy.