



Overview of Earnings for Q2 FY2016

Japan Exchange Group, Inc.

November 1, 2016

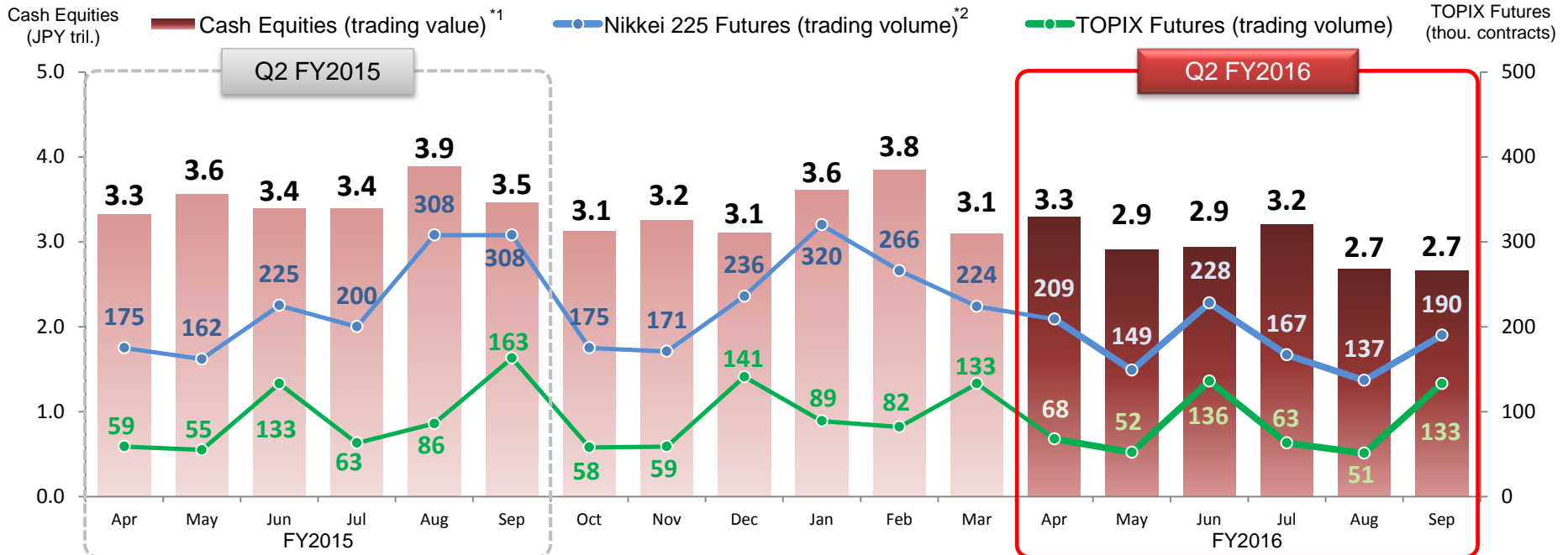
I. Business Developments

* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act. Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.



- Cash equity trading value through July managed to hover around JPY 3 trillion per day, due in part to the impact of additional easing by the BOJ. From August forward, however, average daily trading value fell to approximately 2.7 trillion, contributing to a 16% decrease year-on-year for the second quarter of FY2016 at approximately JPY 2.9 trillion.
- Average daily trading volume of derivatives shrank by 23% from 195 million contracts to 150 million contracts alongside lackluster performance in the cash equity market with Nikkei 225 futures down 22% and TOPIX futures dropping 9% year-on-year.

➤ Average daily trading volume/value of major products

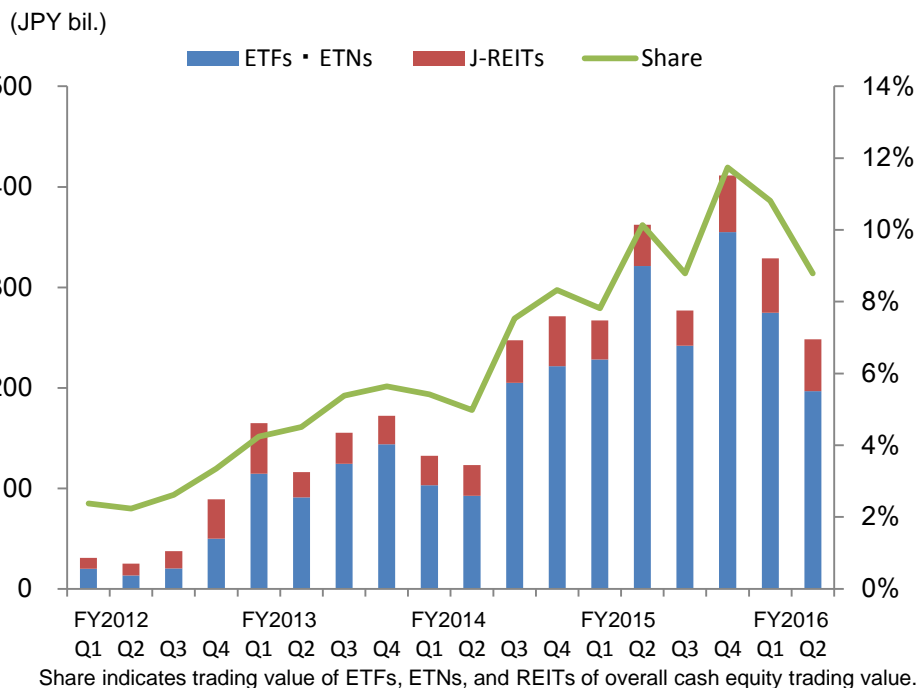


*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

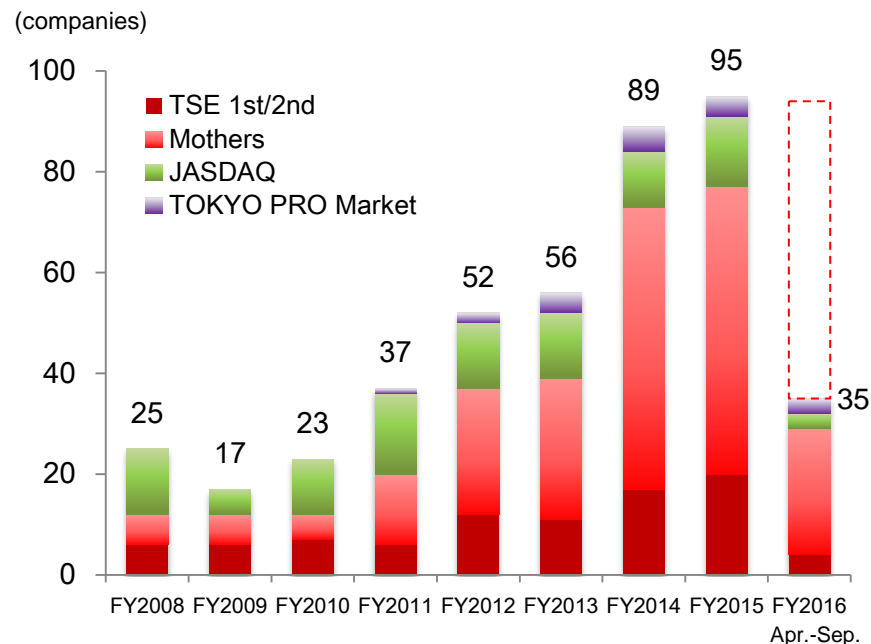
*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

- ETF/ETN trading values shrank year-on-year, while those of REITs grew. Daily activity maintained similar levels as the same period last year, about 10% of the overall cash equity trading value.
- The number of IPOs on TSE fell to 35 from 41 last year.

➤ ADV of ETFs/ETNs and REITs



➤ IPOs on TSE markets

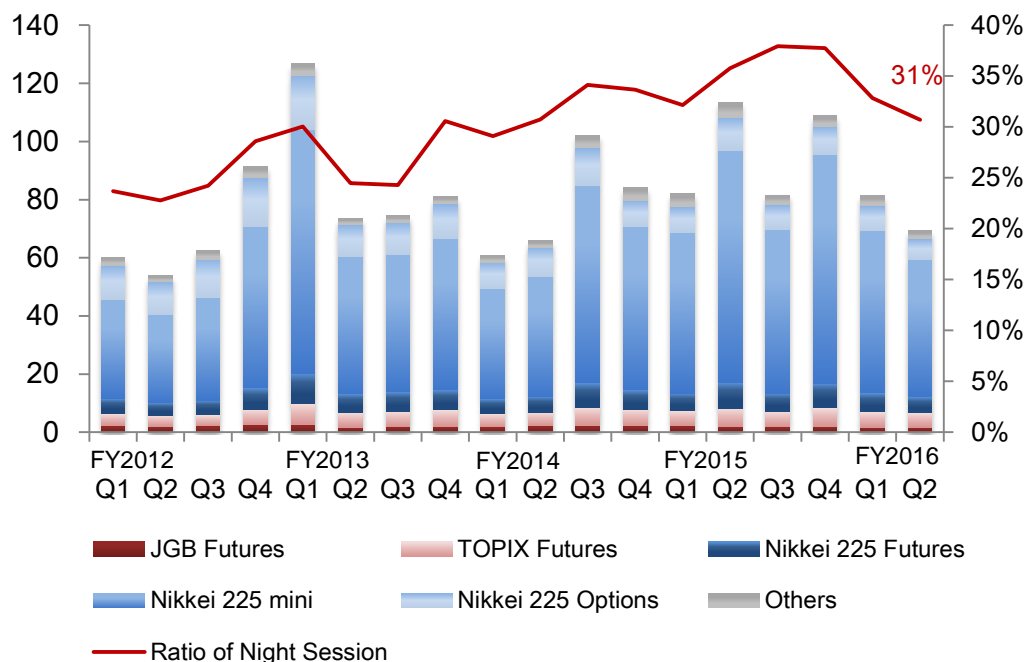


- Since the launch of New J-GATE derivatives trading system, there has been an upward trend in trading volume during the extended hours from 3:00 a.m. in the night session.

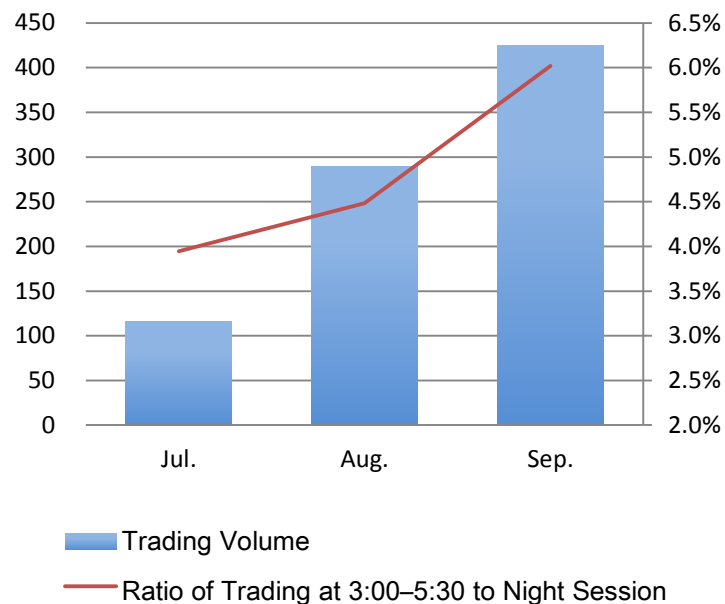
➤ Derivatives Trading Volume and Ratio of Night Session

➤ Trading at 3:00–5:30 after New J-GATE Launch

(mil. contracts)



(thou. contracts)



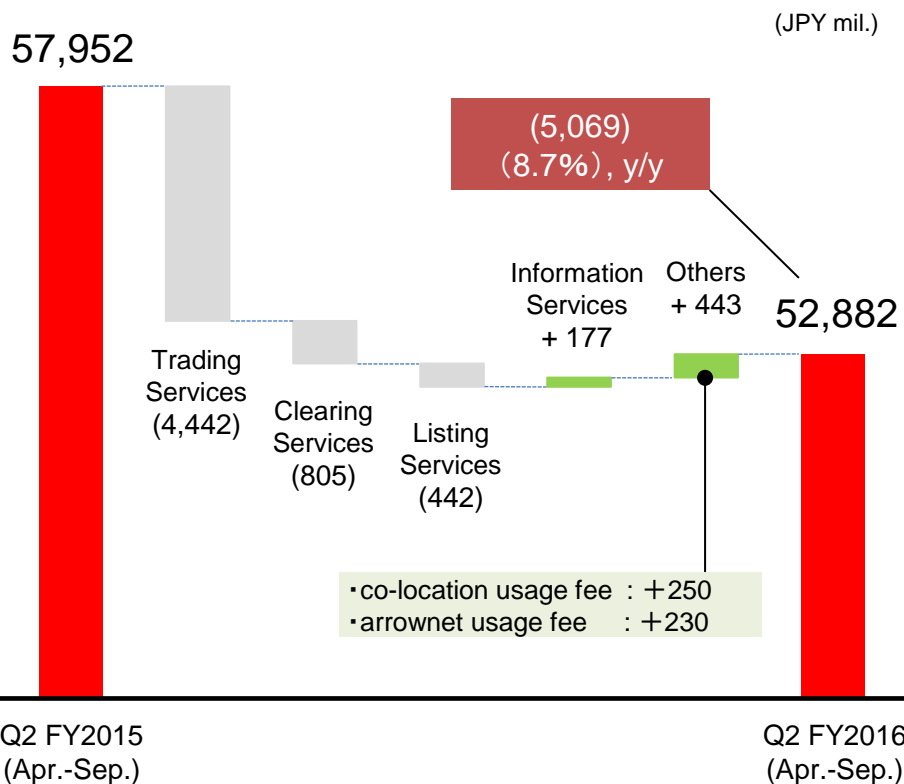
II. Overview of Earnings for Q2 FY2016 [IFRS] (April 1, 2016 – September 30, 2016)



Operating Revenue & Operating Expenses

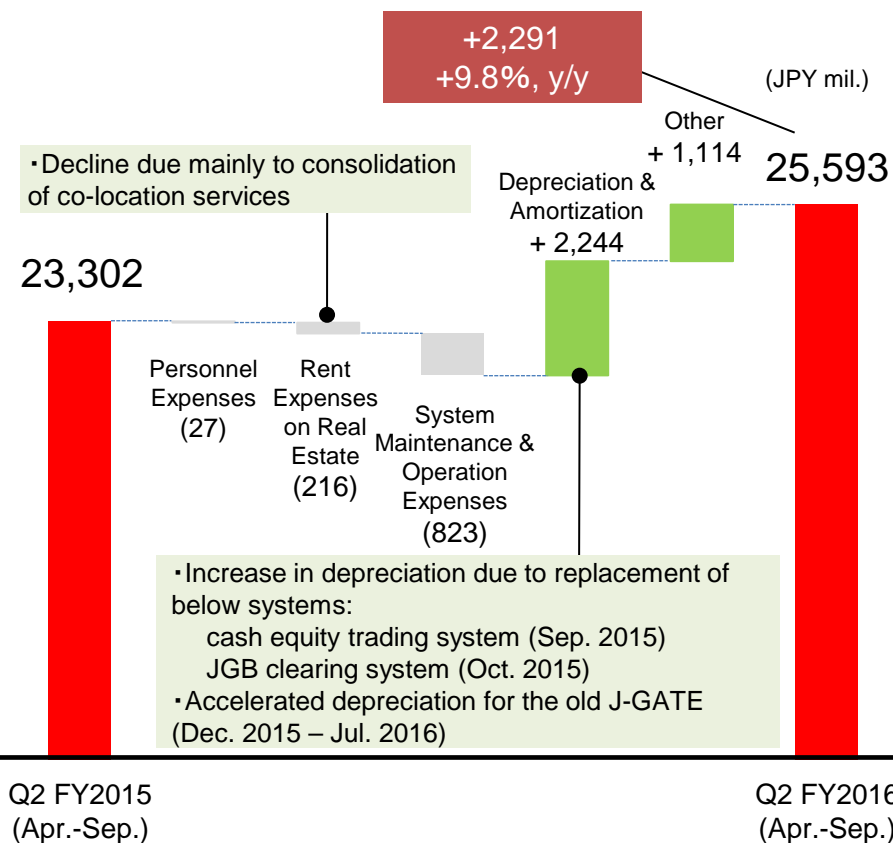
Operating Revenue

- Revenues from trading services and clearing services declined due to a year-on-year decrease in overall trading.
- Other revenues increased due to, among others, an increase in co-location and network (arrownet) usage fees.



Operating Expenses

- Depreciation and amortization increased mainly due to depreciation for the new cash equity trading system, which was not incurred during the same period last year, and accelerated depreciation for the old J-GATE.



Consolidated Operating Results

- Operating revenue decreased year-on-year due to lower trading activity, while operating expenses increased year-on-year due mainly to accelerated depreciation of the old J-GATE. As a result, operating income decreased by 19.9% and net income decreased by 17.9% year-on-year.
- Despite the decline from the record levels from the same period last year, full-year performance remains on track with operating income reaching 52.3% of the April 2016 forecast.

(JPY mil.)

	Q2 FY2015	Q2 FY2016		FY2016 (Forecast)	
			y/y	Forecast announced in April	FY2016 %
Operating Revenue	57,952	52,882	(8.7%)	108,000	49.9%
Operating Expenses	23,302	25,593	+ 9.8%	54,500	48.5%
Operating Income	35,295	28,258	(19.9%)	54,000	52.3%
Net Income* ¹	23,879	19,597	(17.9%)	38,500	50.9%
EBITDA	40,271	35,248		-	
Dividend per share* ²	21.0yen	21.0yen		42.0yen	

*1 Net Income attributable to owners of the parent company.

*2 Total of Q2-end and year-end figures. Figures account for the 2-for-1 stock split conducted with an effective date of October 1, 2015.

III. Revised FY2016 Earnings Forecast



Revised Assumptions for FY2016 Earnings Forecast

- Taking into account market conditions through to Q2, assumptions of trading values and volumes for the full-year earnings forecast were revised downwards.

➤ Average Daily Trading Volume/Value of Major Products

	Q2 FY2015 (Apr.-Sep.)	Q2 FY2016		FY2015	FY2016 (Assumptions for forecasts)		
		(Apr.- Sep.)	y/y		(Initial)	(Revised)	y/y
Cash Equities (trading value) *1	JPY 3,496.5 bil.	JPY 2,932.5 bil.	(16%)	JPY 3,412.6 bil.	JPY 3,100.0 bil.	JPY 2,900.0 bil.	(15%)
TOPIX Futures (trading volume)	92,985 contracts	84,543 contracts	(9%)	93,824 contracts	102,000 contracts	85,000 contracts	(9%)
Nikkei 225 Futures (trading volume) *2	229,809 contracts	180,319 contracts	(22%)	230,435 contracts	229,000 contracts	198,000 contracts	(14%)
Nikkei 225 Options (trading value) *3	JPY 29.3 bil.	JPY 24.5 bil.	(17%)	JPY 30.7 bil.	JPY 28.5 bil.	JPY 27.5 bil.	(10%)
10-year JGB Futures (trading volume)	35,720 contracts	28,341 contracts	(21%)	34,658 contracts	38,000 contracts	28,000 contracts	(19%)

*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

*3 Excluding Weekly Options.

Revised FY2016 Earnings Forecast

- The full-year operating revenue forecast was revised downwards, as revenues from trading and clearing services are expected to decline based on the revised assumptions for the earnings forecast.
- Meanwhile, operating expenses will be reduced to maintain initial forecasts of income and per-share dividend.

(JPY mil.)

	Full-year (April – March)					
	FY2015	FY2016 (Forecast)				
		(Initial)	(Revised)	Compared to initial forecast		y/y
Operating Revenue	114,776	108,000	106,000	(2,000)	(1.9%)	(7.6%)
Operating Expenses	50,925	54,500	52,800	(1,700)	(3.1%)	+ 3.7%
Operating Income	66,271	54,000	54,000	±0	±0	(18.5%)
Net Income* ¹	44,877	38,500	38,500	±0	±0	(14.2%)
EBITDA	77,791	-	-	-	-	-
Dividend per share* ²	50.0yen	42.0yen	42.0yen	±0	±0	(8.0yen)

*1 Net Income attributable to owners of the parent company.

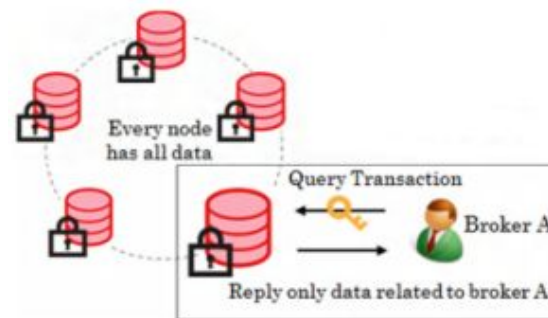
*2 Total of Q2-end and year-end figures. Figures account for the 2-for-1 stock split conducted with an effective date of October 1, 2015.

IV. Reference Materials



2nd Quarter Developments (Jul.-Sep.)

- Published working paper on “Applicability of Distributed Ledger Technology to Capital Market Infrastructure” (Aug. 30)
- JSCC received authorization as ATS-CCP and designated CCP in Hong Kong (Sep. 1)
 - JSCC was authorized by the Securities and Futures Commission (SFC) as an ATS-CCP and designated CCP for IRS clearing.
- Began provision of J-GATE and other systems to TOCOM (Sep. 20)
- Strengthening of BCP (Business Continuity Plan) (Sep. 23)
 - Announced strengthening of BCP, which will allow stock or derivatives trading to resume as soon as possible in the event of a wide-area disaster in Tokyo or Osaka.



Left; Tokyo Commodity Exchange, Inc. President & CEO Hamada
Right; Osaka Exchange, Inc. President & CEO Yamaji



➤ Quarterly Business Performance

(JPY mil.)

	FY2015				FY2016	
	Q1 (Apr. 1, 2015– Jun. 30, 2015)	Q2 (Jul. 1, 2015– Sep. 30, 2015)	Q3 (Oct. 1, 2015– Dec. 31, 2015)	Q4 (Jan. 1, 2016– Mar. 31, 2016)	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)
Operating Revenue	27,802	30,149	27,331	29,492	26,721	26,161
Operating Expenses	11,498	11,803	12,801	14,821	13,069	12,523
Operating Income	16,737	18,558	16,450	14,525	14,348	13,909
Net Income *	10,773	13,106	11,624	9,373	9,583	10,013
EBITDA	18,878	21,393	19,467	18,052	17,762	17,486

* Net income attributable to owners of the parent company.

Referential Financial Data

➤ Operating Revenue

(JPY mil.)

	FY2015				FY2016			
	Q1 (Apr.1, 2015– Jun. 30, 2015)	Q2 (Jul.1, 2015– Sep.30, 2015)	Q3 (Oct.1, 2015–Dec. 31, 2015)	Q4 (Jan.1, 2016– Mar.31, 2016)	Q1 (Apr.1, 2016– Jun. 30, 2016)	Q2 (Jul.1, 2016– Sep. 30, 2016)		
	Amount	Amount	Amount	Amount	Amount	Amount	Ratio	y/y
Trading services revenue	12,912	14,045	11,816	13,696	11,671	10,843	41%	(23%)
Transaction Fees	10,684	11,749	9,551	11,308	9,338	8,569		(27%)
Cash Equities	7,985	8,117	6,986	7,694	6,679	6,186	72%*1	(24%)
Derivatives	2,699	3,631	2,565	3,613	2,659	2,382	28%*1	(34%)
TOPIX Futures	441	529	441	521	438	426		(20%)
Nikkei 225 Futures (incl. mini)	1,069	1,526	1,056	1,484	1,061	970		(36%)
Nikkei 225 Options *2	661	1,099	648	1,133	768	623		(43%)
10-year JGB Futures	437	388	359	411	331	330		(15%)
Others	88	86	59	63	59	32		(63%)
Basic Fees	266	265	264	265	260	260		(2%)
Access Fees	1,231	1,306	1,250	1,377	1,321	1,250		(4%)
Trading System Facilities Usage Fees	709	700	725	719	728	743		+ 6%
Others	21	24	23	27	23	19		(20%)
Clearing services revenue	5,643	6,028	5,486	5,981	5,573	5,292	20%	(12%)
Listing services revenue	2,900	3,572	3,578	3,198	2,710	3,320	13%	(7%)
Initial/Additional Listing Fees	985	1,632	1,567	1,143	675	1,259		(23%)
Annual Listing Fees	1,914	1,940	2,010	2,055	2,034	2,060		+ 6%
Information services revenue	4,358	4,421	4,412	4,513	4,491	4,465	17%	+ 1%
Other operating revenue	1,988	2,080	2,038	2,101	2,274	2,238	9%	+ 8%
arrownet Usage Fees	555	591	568	600	672	705		+ 19%
Co-location Usage Fees	689	721	712	763	873	787		+ 9%
Others*3	743	767	757	737	728	744		(3%)
Total	27,802	30,149	27,331	29,492	26,721	26,161	100%	(13%)

*1 Figures are indicate percentage of Transaction Fees.

*2 Excluding Weekly Options.

*3 Including Proximity Usage Fees.

➤ Operating Expenses

(JPY mil.)

	FY2015				FY2016	
	Q1 (Apr. 1, 2015– Jun. 30, 2015)	Q2 (Jul. 1, 2015– Sep. 30, 2015)	Q3 (Oct. 1, 2015– Dec. 31, 2015)	Q4 (Jan. 1, 2016– Mar. 31, 2016)	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)
Personnel expenses	3,785	3,734	3,858	5,059	3,684	3,808
System maintenance & operation expenses	2,330	2,392	2,353	2,403	2,147	1,752
Depreciation & amortization	1,904	2,075	2,754	3,239	3,180	3,043
Rent expenses on real estates	1,174	1,174	1,147	1,124	1,131	1,000
Other	2,304	2,426	2,688	2,995	2,926	2,919
Total	11,498	11,803	12,801	14,821	13,069	12,523

Referential Financial Data

➤ Consolidated Statement of Financial Position

(JPY mil.)

	As of Mar. 31,2016	As of Sep. 30,2016
Assets		
Current assets		
Cash and cash equivalents	66,547	48,383
Trade and other receivables	10,096	9,590
*1 Clearing business financial assets	26,395,558	32,594,825
*2 Specified assets for deposits from clearing participants	2,809,433	3,134,193
*3 Specified assets for legal guarantee funds	483	483
Income tax receivables	5,055	7,586
Other financial assets	65,600	77,800
Other current assets	1,163	2,196
Total current assets	29,353,939	35,875,060
Non-current assets		
Property and equipment	6,025	5,327
Goodwill	67,374	67,374
Intangible assets	31,033	30,977
Retirement benefit assets	3,626	3,573
Investments accounted for using the equity method	7,592	8,200
*5 Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	38,639	32,511
Other non-current assets	5,854	5,856
Deferred tax assets	4,741	4,716
Total non-current assets	192,836	186,485
Total assets	29,546,776	36,061,545

	As of Mar. 31,2016	As of Sep. 30,2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,413	3,413
Loans payable	22,500	32,500
*1 Clearing business financial liabilities	26,395,558	32,594,825
*2 Deposits from clearing participants	2,809,433	3,134,193
*3 Legal guarantee funds	483	483
*4 Trading participant security money	7,429	8,167
Income tax payables	10,714	8,838
Other current liabilities	6,403	4,382
Total current liabilities	29,256,937	35,786,804
Non-current liabilities		
Loans payable	10,000	—
Retirement benefit liabilities	7,352	7,444
Other non-current liabilities	3,924	3,600
Deferred tax liabilities	5,650	3,937
Total non-current liabilities	26,926	14,983
Total liabilities	29,283,864	35,801,788
Equity		
Share capital	11,500	11,500
Capital surplus	59,726	59,725
Treasury shares	(9)	(2,660)
Other components of equity	13,321	9,079
*6 Retained earnings	172,656	176,330
Total equity attributable to owners of the parent company	257,194	253,975
Non-controlling interests	5,717	5,781
Total equity	262,912	259,757
Total liabilities and equity	29,546,776	36,061,545

*1 Japan Securities Clearing Corporation (JSCC) guarantees settlement as a clearinghouse for financial instruments transactions by assuming obligations for trades by market participants to become the counterparty for such trades, posting claims and obligations for cleared trades under clearing business financial assets and liabilities.

*2 Deposits from clearing participants requested by JSCC for covering the risk of clearing participants defaulting on their obligations.

*3 Deposits from trading participants requested by Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) for covering the risk at entrusting parties, etc. of trading participants defaulting on their obligations.

*4 Deposits from trading participants requested by TSE and OSE for covering the risk of trading participants defaulting on their obligations.

*5 Reserve funds for compensating losses incurred by JSCC in clearing operations.

*6 Including reserve funds for compensating losses incurred by JSCC in clearing operations.

Major Product Data

➤ Trading Volume/Value

	FY2015				FY2016	
	Q1 (Apr. 1, 2015– Jun. 30, 2015)	Q2 (Jul. 1, 2015– Sep. 30, 2015)	Q3 (Oct. 1, 2015– Dec. 30, 2015)	Q4 (Jan. 1, 2016– Mar. 31, 2016)	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)
Trading Value of Cash Equities (JPY mil.)						
TSE 1st/2nd Section * ¹	180,820,436	189,247,280	166,310,629	177,748,541	149,927,942	151,897,987
Mothers * ¹	5,894,082	5,487,907	5,757,308	6,849,645	12,553,461	5,481,621
JASDAQ * ¹	5,409,453	4,458,234	3,432,110	3,933,113	3,007,765	2,360,710
ETFs/ETNs and REITs etc. * ²	16,299,502	22,455,832	16,903,303	25,087,403	20,067,756	15,399,947
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)						
TOPIX Futures	5,152,726	6,284,469	5,302,308	6,247,344	5,356,506	5,042,339
Total Nikkei 225 Futures/mini * ³	11,551,509	16,714,992	11,868,112	16,322,078	12,015,630	10,163,636
Nikkei 225 Futures	6,041,354	8,736,954	6,243,886	8,465,489	6,442,034	5,454,262
Nikkei 225 mini	55,101,557	79,780,382	56,242,263	78,565,899	55,735,969	47,093,746
Nikkei 225 Options (JPY mil.) * ⁴	1,471,850	2,137,320	1,404,173	2,505,727	1,751,195	1,258,955
10-year JGB Futures	2,323,310	2,070,202	1,920,076	2,177,737	1,744,496	1,741,404

➤ Average Daily Trading Volume/Value

	FY2015				FY2016	
	Q1 (Apr. 1, 2015– Jun. 30, 2015)	Q2 (Jul. 1, 2015– Sep. 30, 2015)	Q3 (Oct. 1, 2015– Dec. 30, 2015)	Q4 (Jan. 1, 2016– Mar. 31, 2016)	Q1 (Apr. 1, 2016– Jun. 30, 2016)	Q2 (Jul. 1, 2016– Sep. 30, 2016)
Trading Value of Cash Equities (JPY mil.) * ⁵						
	3,416,778	3,575,030	3,154,153	3,501,946	3,041,917	2,824,872
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)						
TOPIX Futures	84,471	101,362	86,923	102,415	87,812	81,328
Total Nikkei 225 Futures/mini * ³	189,369	269,597	194,559	267,575	196,978	163,930
Nikkei 225 Futures	99,039	140,919	102,359	138,779	105,607	87,972
Nikkei 225 mini	903,304	1,286,780	922,004	1,287,966	913,704	759,577
Nikkei 225 Options (JPY mil.) * ⁴	24,129	34,473	23,019	41,078	28,708	20,306
10-year JGB Futures	38,087	33,390	31,477	35,701	28,598	28,087

*1 Value of auction and off-auction trading of common stocks. *2 Total value of auction and off-auction trading. *3 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

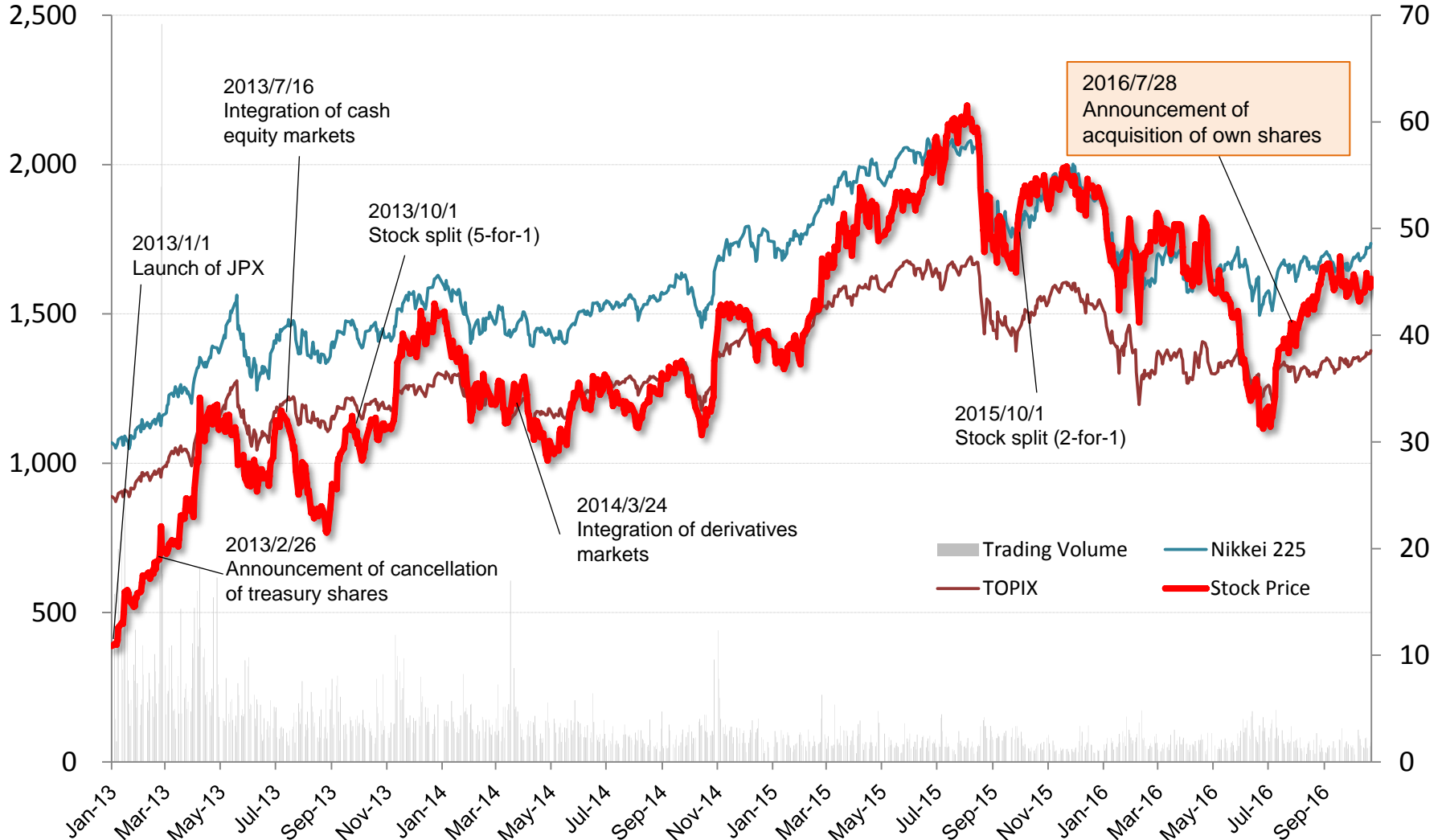
*4 Excluding Weekly Options. *5 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.



JPX Stock Price

JPX Stock Price (JPY)
Nikkei 225 (JPY 10)
TOPIX (points)

Trading Volume
(mil. shares)

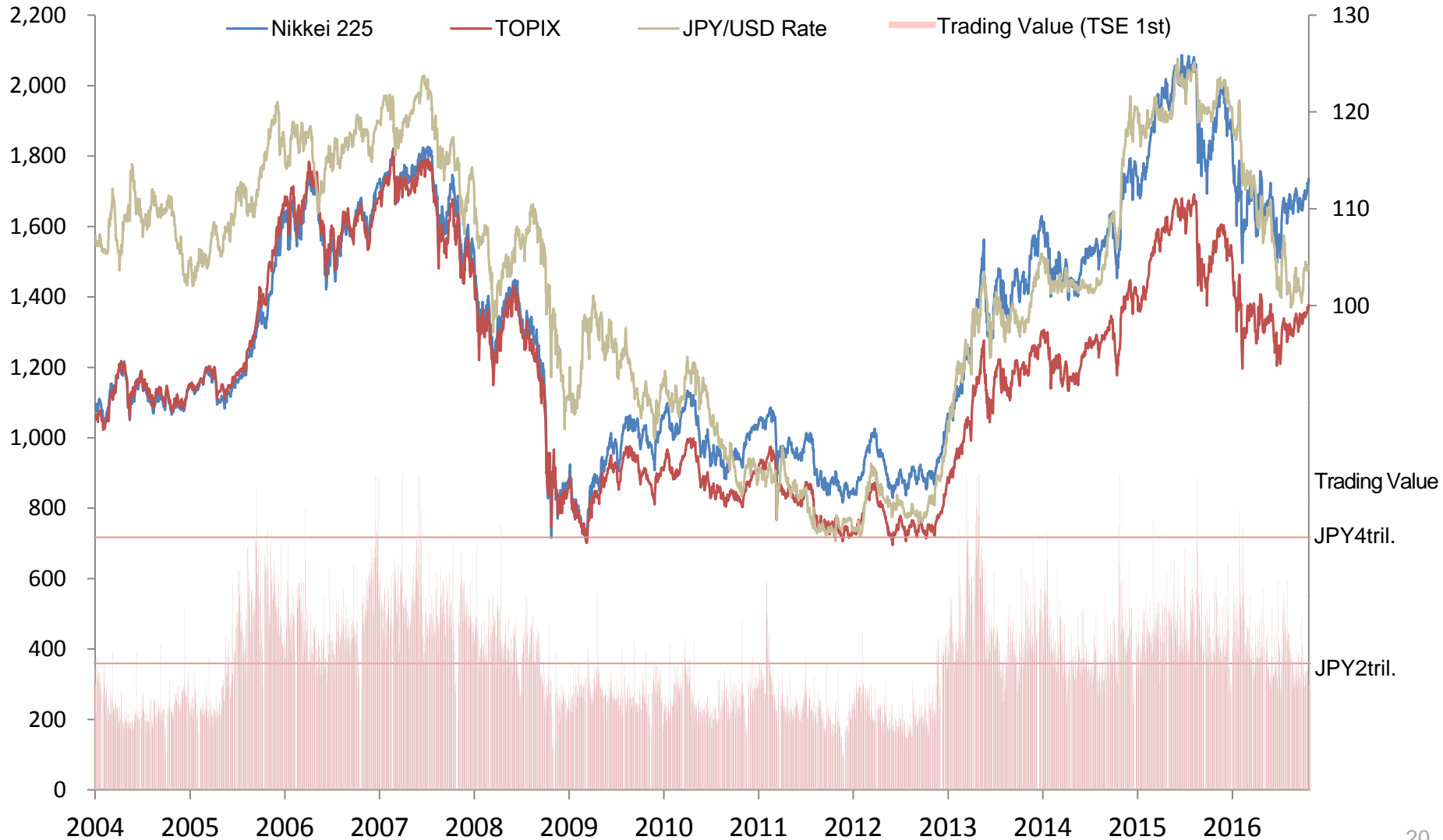


Listed on both the TSE1st Section and JASDAQ from January 1 to July 15, 2013. Prices above are prices on the TSE1st Section. Trading volumes above are the total of those on TSE1st Section and JASDAQ. Two stock splits were conducted separately with respective effective dates of October 1, 2013 and October 1, 2015. Stock prices and trading volume before said stock splits were converted to reflect both events.

Japanese Stock Market

Nikkei 225 (JPY 10)
TOPIX (points)

(JPY/USD)

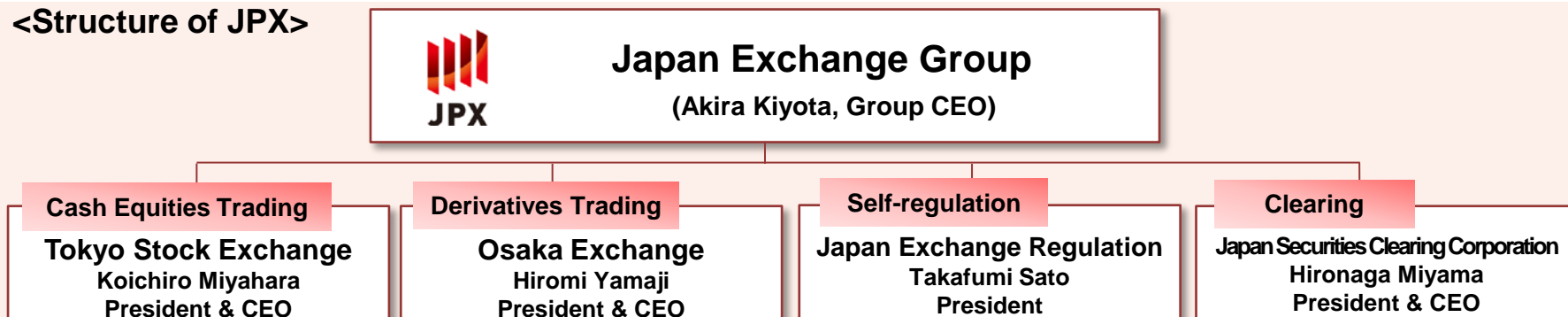




Outline of JPX Stock

Stock Code	8697
Listed Exchange	Tokyo Stock Exchange 1 st Section
Fiscal Year End	March 31
Annual General Shareholders Meeting	June
Record Date	Annual general shareholders meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30
Number of Shares in One Trading Unit	100 shares
Total number of shares issued	549,069,100 shares
Basic Policy on Profit Distribution	<p>JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:</p> <ul style="list-style-type: none">• Maintaining sound financial health as a financial instruments exchange group,• Preparing for risks as a clearing organization, and• Enabling the group to pursue investment opportunities to raise the competitiveness of its markets as they arise.

<Structure of JPX>



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These materials contain forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.