

Summary of Q&A at FY2018 Consolidated Financial Results briefing

(held on May 8, 2019)

(1)

Q: You are forecasting that operating expenses for FY2019 will rise JPY 3.9 billion from FY2018, but can you give a breakdown of that? For example, how much do you expect rent expenses on real estates to rise?

A: We expect both system-related expenses and IT research and development costs to rise more than JPY 1 billion. In addition, we expect increases in the hundreds of millions of yen for data-related business costs, a key theme of our Medium-Term Management Plan, and OTC derivatives-related costs. The rest will be made up of small rises of JPY 0.1-0.2 billion. I cannot give you a specific number for rent expenses as negotiations are still ongoing.

(2)

Q: What is the basis for a special dividend of JPY 15? Can we expect similar special dividends in the future? I would also like to hear whether you were conscious of avoiding a fall in dividend value from last year.

A: It came from a basis of our policy to not hold unnecessary levels of capital or cash. We are currently conducting due diligence on, among other things, how much capital will be necessary for the merger with TOCOM, and after estimating that, we were left with the figure of JPY 15.

(3)

Q: Do you have any plans to introduce new derivative products apart from commodities? Are those included in the earnings forecast?

A: We are considering how to strengthen our line-up of products, including commodities, as part of the Medium-Term Management Plan. However, we expect that the merger with TOCOM will take up a lot of resources, and therefore it will be important to solidly execute that before anything else.

(4)

Q: Will the forecasted rises in costs be equally reflected in results over the four quarters?

A: As our business projects are under way, I can't give you a definite answer, but from what we know now, we see it as unlikely that the costs will be equally reflected over the four quarters.

(5)

Q: TOCOM's results are not included in the earnings forecast, but if the buyout goes ahead as planned, what kind of impact will it have on the results? Please tell us if there are any effects we should be aware of, such as revenue from providing systems to TOCOM.

A: We are still conducting due diligence so I can't give you a definite answer, but if we were able to bring TOCOM in as a complete subsidiary by the end of October as per the announced schedule, then TOCOM's results would be reflected in JPX's consolidated results for H2 FY2019. In that case, I think it is very likely that we will publish an earnings forecast reflecting TOCOM's results at some point in the second half of the year.

Additionally, if TOCOM becomes a consolidated subsidiary, then any transactions between TOCOM and JPX Group companies will become internal transactions, so not only will JPX's revenue from providing systems to TOCOM cease to be reflected in consolidated results, TOCOM's costs from paying for the systems will also cease to be reflected. In this and other ways, both revenue and costs will be impacted.