

Summary of Q&A at JPX FY2018 Q2 Financial Results Briefing

(held on October 30, 2018)

(1)

Q: This question has to do with the comprehensive exchange initiative.* Why do you think trading volume in commodity derivatives overseas is increasing? If JPX were to handle commodities, what kind of entities do you think would be involved in that market? And, what global competitive advantages can you expect?

Also, in terms of the clearing business, if JSCC were to incorporate Japan Commodity Clearing House (JCCH), how much more capital would be required?

A: It is my understanding that trading volume of commodity derivatives has grown considerably, mainly in the energy sector overseas and also grains in particular for China. I imagine this is due to more and more investors recognizing commodities as investment options. As a result, the volume of various kinds of trading, including commodity derivatives, is rising across the world.

Regarding market users, it is important to expand the network and approach a wide range of people. We have just concluded a non-disclosure agreement with Tokyo Commodity Exchange (TOCOM). There are still various options to explore, including how to implement the comprehensive exchange initiative and what type of organizational structure would result from such implementation. As such, we have nothing in particular to comment about global competitive advantages or relations between JSCC and JCCH at the moment.

**The concept of establishing an exchange(s) in Japan that can handle multiple assets classes that include commodities*

(2)

Q: What KPIs are you going to set for the next Medium-Term Management Plan?

A: We are in the midst of deliberating on targets for the 3rd Medium-Term Management Plan. As such, we do not have any concrete details to provide at the moment. We will officially announce these targets next spring.

(3)

Q: If you were to go through with integration with TOCOM to launch a comprehensive exchange and provide new products related to commodities, what kind of timeline are you imagining in terms of product launches and profit realization?

A: In implementing the comprehensive exchange initiative, there are a broad range of possibilities with regard to organization structure and whether or not exchanges should be merged, among other matters. Thus, we cannot comment on timelines and profits now.

(4)

Q: Say that JPX does buy TOCOM. TOCOM's shareholders equity is less than JPY 10 billion, which is not that large when looking at JPX's periodic profit/loss figures. In the future, will the amount of capital necessary impact discussions over issues such as JPX's shareholder returns?

A: While there is discussion of a comprehensive exchange initiative, JPX's 3rd Medium-Term Management Plan is also currently under discussion. I would like you to understand that, depending on details of such plan, there is a possibility that we may need some additional capital.

On the other hand, as I have repeatedly mentioned, we have no intention of having excessive capital or cash. This means that we will determine shareholder returns while thinking of how to maintain a balance between the need for additional capital and holding no excess capital/cash.

(5)

Q: When a comprehensive exchange is realized, do you expect that Japanese market participants who trade commodities overseas like London will return to Japan as they will be able to do one-stop trading? Or do you think that some kind of scheme will be necessary for such returning? What are your current thoughts on this point?

A: I think that such issue will greatly depend on how a comprehensive exchange will start. If business entities handling actual commodities participate in the market of such exchange as well, the liquidity of the market will increase, which will be desirable to all parties concerned. But this is all that I can say at the moment.

(6)

Q: With respect to operating expenses, the drop in the first half of FY2018 seems to be directly reflected in the whole fiscal year estimate. With respect to estimated operating expenses in the second half of FY2018, is there any new item added or any change in expense items in comparison with the initial plan?

A: There are no expense items whose estimates have been largely increased from the initial ones. Rather, estimates for most items, primarily PR expenses, have been reduced where possible.