



Japan Exchange Group

Medium-Term Management Plan for FY2013 to FY2015

Your Exchange of Choice

March 26, 2013

01 OUR VISION

Our Vision is to become "the Most Preferred Exchange in the Asian Region"

Secure Overall Competitive Advantage in the Asian Region

Secure overall competitive advantage over other exchanges in the Asian region in various aspects, including reliability, liquidity, number of IPOs, market capitalization, and profitability

Contribute to Economic Growth in the Asian Region

Aim to support Asian growth and improve JPX's presence in Asian markets through initiatives including effective utilization of JPX's mature market infrastructure within the Asian region and cooperative efforts with Asian exchanges



Your Exchange of Choice

02 Highlight Strategy toward Asia

Enhance Communication of Japanese Stock Market Appeal to Asian Investors

Develop new indices, strengthen functions of Singapore office, etc.

Strengthen Cooperative Relationships with Asian Exchanges, etc.

Mutual listing of ETFs and Index Futures and Options, etc.

Approach Asian Investors via Enhanced Trading Infrastructure Functionality

Improve arrownets accessibility from Asia, etc.

Contribute to Asian Economic Development via JPX's Mature Infrastructure

Leverage and stimulate the professional-oriented bond market to respond to the financial needs of emerging Asian countries, etc.

03 Highlight Cost Structure Reform

A Cost Structure that Flexibly Responds to Market Changes

-Promotion of Cost Reduction/Variable Costs and Conversion to a Slim Cost Structure-

● Primary Initiatives toward Cost Reductions/Variable Costs

Integration of duplicate systems

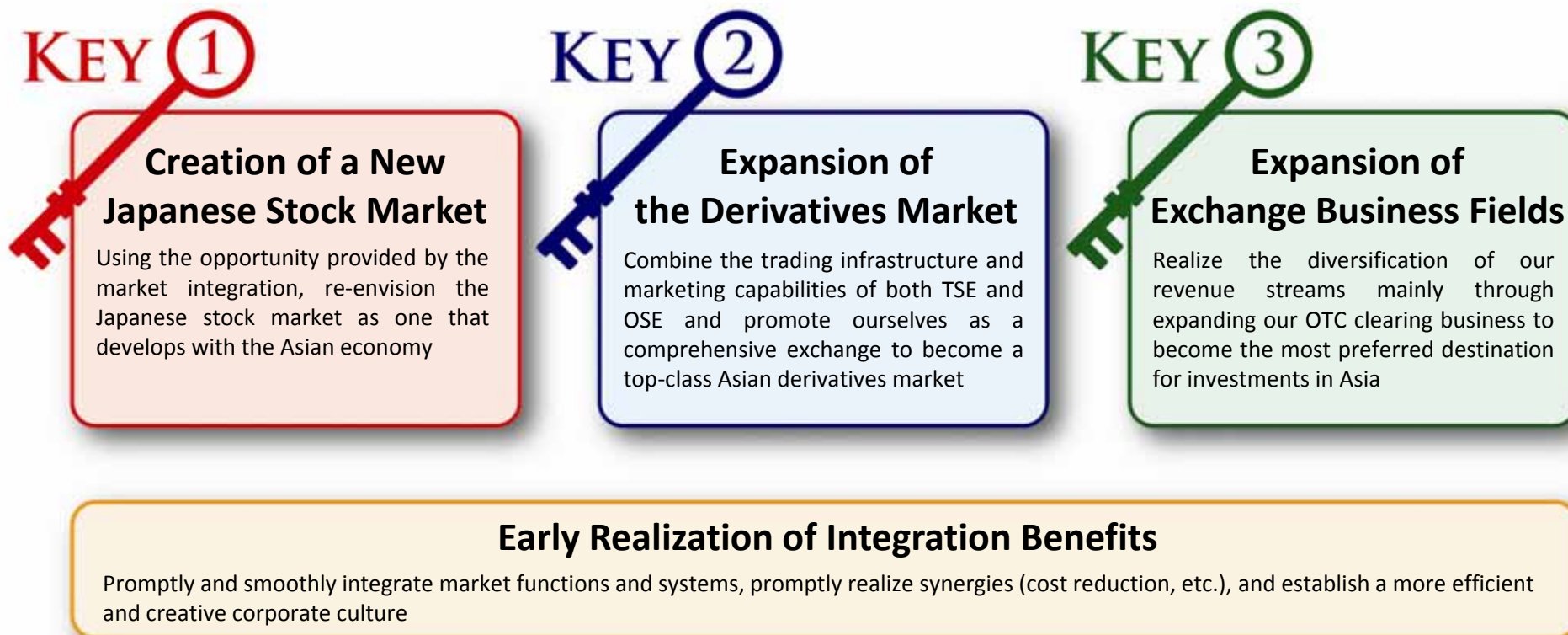
Revision of business bases

Efficiency improvement and structural review of company-wide operations



Aim for cost reduction of over JPY 8.5 billion (15% of Overall Company Costs)

04 Core Strategies



05 Core Strategy 1 "Improve the Appeal of Japanese Stocks"

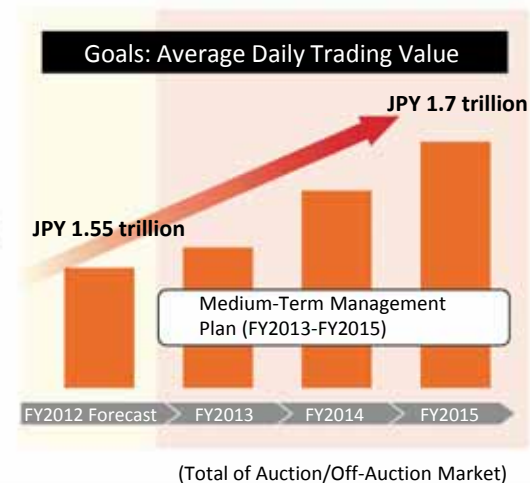


Creation of a New Japanese Stock Market

Hopes for a Revitalized Japanese Stock Market

As Japanese stocks are becoming part of the Asian sector, the Japanese stock market has a diminished presence compared to the past. Meanwhile there are increasing domestic expectations for wealth building via investment in Japanese stocks.

**Improve the
Appeal of
Japanese
Stocks**



06 Core Strategy 1: 6 Initiatives to "Improve the Appeal of Japanese Stocks"

1

Promote Appeal of Japanese Stocks Globally

Develop New Stock Price Indices

- Develop and commence calculation of new indices composed of highly attractive listed companies [FY2013]
- Broaden familiarity with new indices and improve their recognition/awareness [FY2014]

2

Enhance Global Valuation of Japanese Stocks

Enhance Corporate Governance

- Revise listing rules, increase awareness of the Listed Company Awards, and promote understanding of efforts for corporate governance through individual visits to institutional investors

3

Maintain World-class Competitive Edge of Systems

Renew arrowhead

- Further improve latency (processing speed), reinforce risk management functions in accordance with electronic/high speed trading [FY2015]

4

Revitalize Market through Trading Participant Diversification

Revision to Tick Sizes/Trading Hours

- Implement Small Tick Pilot Program (Experimental trading rules using smaller tick sizes) [FY2013]
- Start serious discussions for rules and systems of evening/night-time cash markets [FY2013]
- Review tick sizes in the Markets [FY2015]

5

Propose policy recommendations from a market-based perspective

Propose Policy Recommendations to Enhance Japanese Market Functions

- Propose policy measures via meetings with market experts [FY2013]
- Pro-actively disseminate such proposals to global media, etc.

6

Expansion of ETF/J-REIT Markets

Promote Diversification of and Investment in ETF/J-REIT Products

- Establish a top-class ETF market in terms of managed amount and diversity, and secure position as the world's 3rd largest REIT market [FY2015]

07 Core Strategy 1: "Promote IPOs"

KEY ①

Creation of a New Japanese Stock Market

Expectations for Fund Supply to Growth Companies

Promotion of innovation and support of small and medium-size corporations are indispensable for the strong Japanese economy, and expectations are rising for IPOs to support growth.



Support Corporate Growth through IPO Promotion

Promote Listing Support Activities

- Implement "seeding" activities prior to listing preparation, offer "Growth stage-based support" to candidates for listing, and extend "growth support" after listing

08 Core Strategy 2: "Initiative toward a Comprehensive Exchange" and "New Product Development, etc."



KEY ②

Expansion of the Derivatives Market

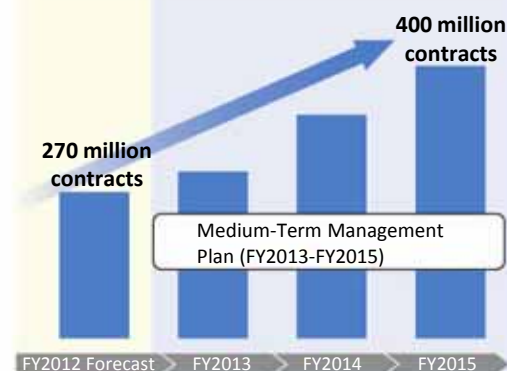
Emphasis on Derivatives Businesses

Derivatives markets are expanding globally, and major exchanges are shifting focus toward derivatives businesses. However, the Japanese derivatives market's global position remains low, particularly in the field of commodities, where trading volume is markedly falling.

Initiatives toward
a Comprehensive
Exchange

New Product
Development,
etc.

Goal : Annual Trading Volume



09 Core Strategy 2: 4 Initiatives for "A Comprehensive Exchange" and "New Product Development, etc."

1

Expand into Commodity Derivatives Fields

Revitalize the Commodities Market

- Encourage concerned parties to revise rules and regulations which impede expansion of the commodity derivatives market, and enter into the field of commodities on a full scale

2

Further Enrich Derivatives Product Lineup

Develop Overseas Index Products

- Enrich/expand JGB-related products, and launch derivatives products which target overseas indices, etc.
- Develop/launch new products to cover OTC trades
- Conduct marketing and promotion activities targeting market participants to secure liquidity for new products

3

Dynamically Improve Rules upon Market Integration

Review Derivatives Market Rules and Frameworks

- Develop rules and frameworks, review fee structure, and extend trading hours, etc. in connection with the derivatives market integration
- Use the system integration as an opportunity to expand market participants and promote new participation in the JGB Futures and TOPIX Futures markets

4

Construct a New Market Design

Discuss Next-Generation Derivatives Trading System

- Formulate the implementation timeline and basic schedule for a next-generation derivatives trading system
- Determine basic policies for new rules and new functions to accompany launch of a next-generation derivatives trading system

10 Core Strategy 3

"Expansion of Clearing Business" and "Preparation of New Product Platforms, etc."



Expansion of Exchange Business Fields

Demands for Improved Earning Power

Given the lower level of JPX's earning power compared to other major global exchanges, shareholders are demanding an improvement of earning capacity, including the expansion of exchange business fields.

Expansion of
Clearing
Business

Preparation of
New Product
Platforms, etc.

1 Diversify Earning Sources via Expansion of Clearing Business

Rule Revisions to Expand Use of OTC Derivatives Clearing

- Start client clearing (Clearing of customer trading) [FY2013]
- Commence handling of products such as foreign-currency-denominated Interest Rate Swaps, etc. [FY2014]
- Introduce Cross-Margin rules for JGB Futures and Interest Rate Swaps, etc. [FY2015]

2 Expand Project Finance for Infrastructure Business

Establish Rules for Listed Infrastructure Market and Realize Listings

- Determine market needs and respond to challenges for full scale market creation, and implement individual promotion/listing support targeting domestic/overseas originator candidates based on such determination and response. Then establish a competitive foundation against other Asian markets [FY2015]

3 Contribute to Eliminating the Supply and Demand Gap for Finance in Asian Countries

Utilize/Invigorate PRO-BOND Market

- Secure position as top-class professional-oriented bond market in Asia through enhancement of market convenience and cultivation of new issuers and investors mainly in Asia [FY2015]

11 Continuous Medium-to-Long Term Initiatives

● Creation of a Market with High Liquidity via Expanding Individual Investor Base

Expand Individual Investor Base for Japanese Stocks (+YOU Project)

- Deploy nationwide caravans and strengthen cooperation with external organizations. Through these, realize spread of the project and enhance actions for investment.

Improve Image of Derivatives and Spread Awareness of their Social Function

- Work with media to lead to spreading awareness of derivatives
- Disseminate information for spreading awareness of derivatives through expert meetings, etc.

● Improve Confidence in Market

Fulfill Self-Regulatory Functions Responding to Evolving Market Environment

- Conduct appropriate listing examination in line with the evolving environment, etc.
- Promote "preventative" listing supervision through such means as pro-active information dissemination
- Conduct precise market surveillance and participant inspection in line with the evolving market environment

Improve Confidence in IT Infrastructure

- Steadily implement preventative/improvement measures based on system malfunctions

12 JPX's Asian Strategy

Improve Communication of Japanese Market Appeal to Investors in Asia

Improve investors' valuation through initiatives to enhance corporate governance

Develop new indices composed of highly attractive corporations

Implement Japanese stock caravans and derivatives promotions, and enhance marketing structure

Strengthen functions of Singapore office



Strengthen Cooperative Relationship with Exchanges in Various Asian Nation

List various ETFs and Stock Price Index Futures/Options that are related to Asian countries

List ETFs tracking indices such as TOPIX and Futures/Options based on such indices in various Asian countries, and engage in cooperative/collaborative efforts between clearing institutions



Approach Asian Investors via Enhanced Trading Infrastructure Functionality

Extend trading hours for derivatives products

Secure Asian users via provision of Co-Location services

Expand arrowhead functions (maintain competitive edge for systems)

Improve arrownet accessibility from the Asian region



Aim to support Asian growth and improve JPX's presence in Asian markets through effective utilization of JPX's mature market infrastructure within the Asian region and cooperative efforts with Asian exchanges

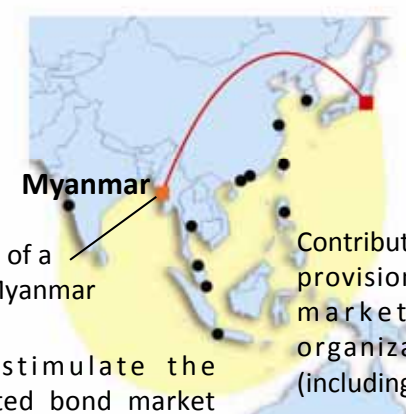
Contribute to Asian Economic Development via JPX's Mature Infrastructure

Support IPOs by Japanese corporations shoring up Asian growth

Contribute to emerging countries via provision of know-how regarding market operations/clearing organizations risk management (including OTC derivatives)

Support cultivation of a capital market in Myanmar

Leverage and stimulate the professional-oriented bond market to respond to the financial needs of emerging Asian countries



13 Operating Revenue

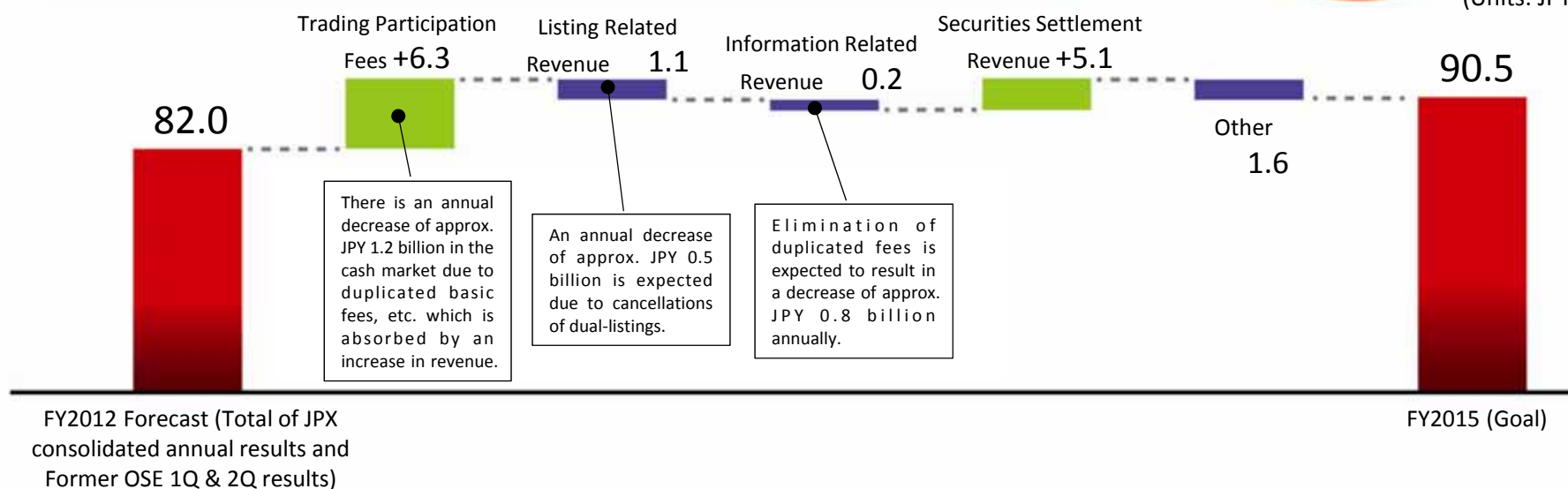
Implement initiatives to expand cash and derivatives markets, as well as exchange business fields

Assumption for Average Daily Trading Value/Volume for FY2015

		(vs. FY2012 Estimates)
Stocks (Auction/Off-Auction Market)	JPY 1,700 billion	+JPY 150 billion
Nikkei 225 Futures (Large & Mini Total)	217,000 contracts	+64,000 contracts
TOPIX Futures	104,000 contracts	+36,000 contracts
10yr JGB Futures	53,000 contracts	+13,000 contracts
Nikkei 225 Options	JPY 47 billion	+JPY 24 billion

**Goal [FY2015]
Increase of JPY
8.5 billion
compared to
FY2012**

(Units: JPY billion)



14 Operating Expenses

1 Reduction in System-related Costs

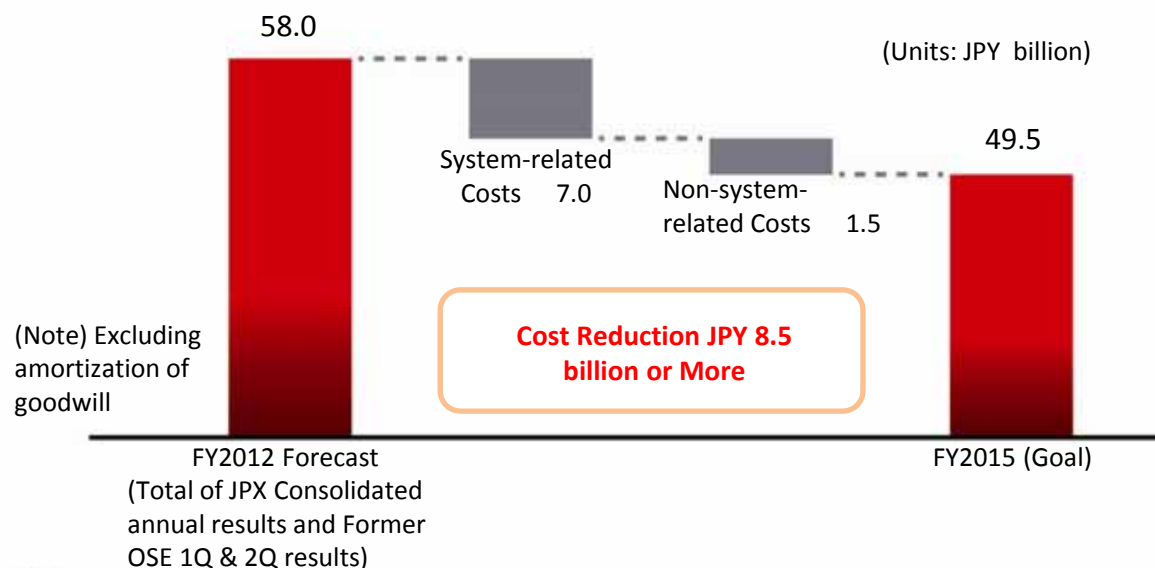
Integration of overlapping systems

Goal: JPY 7 billion cost reduction

2 Reduction in Non-system-related Costs

Promotion of operational efficiency and revision of operational bases, etc.

Goal: JPY 1.5 billion or more cost reduction



Goal: Overall Cost Reductions of JPY 8.5 billion or More (15% or More Reduction of Overall Costs)

15 Management and Financial Goals

Management and Financial Goals

	FY2015 Goals	Consolidated FY2012 results (Forecast) +Former OSE 1Q & 2Q results
Operating Revenues	JPY 90.5 billion	JPY 82.0 billion
Operating Expenses	JPY 49.5 billion	JPY 58.0 billion
Operating Income	JPY 41.0 billion	JPY 24.0 billion
Net Income	JPY 26.0 billion	JPY 14.5 billion

(Note) Excluding amortization of goodwill (JPY 3.4 bil. for FY2015, and JPY 1.4 bil. for FY2012)

Reference: Financial Indicators, etc.

EBITDA	Approx. JPY 50.0 billion
ROE	Approx. 14%

(Note) ROE were calculated excluding amortization of goodwill and specific assets.

Capital Investment (3 years)	JPY 36.0 billion
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(Note) Breakdown of Capital Investments (3 years)
Cash Market Trading System JPY 11.0 billion
Derivatives Trading System JPY 10.0 billion
Clearing System JPY 8.0 billion



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