

## Japan Exchange Group, Inc. and Consolidated Subsidiaries

Consolidated financial results for the three months ended June 30, 2018

(Based on IFRS), unaudited

Company name:	Japan Exchange Group, Inc.	Stock Exchange Listings:	Tokyo
Code number:	8697	URL:	<a href="https://www.jpx.co.jp/english/">https://www.jpx.co.jp/english/</a>
Representative:	Akira Kiyota, Director & Representative Executive Officer, Group CEO		
Contact:	Mitsuo Miwa, Director, Corporate Communications		
Scheduled date of filing of quarterly report:	August 10, 2018		
Scheduled date of start of dividend payment:	-		
Preparation of 1Q earnings presentation material:	Yes		
Holding of 1Q earnings announcement:	None		

### 1. Consolidated financial results for three months ended June 30, 2018

(from April 1, 2018 to June 30, 2018)

(Figures less than a Millions of yen are omitted)

#### (1) Consolidated operating results (cumulative)

(Percentages represent year-on-year change)

	Operating revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent company		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	29,562	6.0	17,413	5.9	17,609	5.9	11,778	7.3	11,623	6.9	11,391	12.0
Three months ended June 30, 2017	27,876	4.3	16,440	14.6	16,630	14.1	10,978	13.6	10,874	13.5	10,175	52.0

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2018	21.69	-
Three months ended June 30, 2017	20.24	-

#### (2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2018	35,842,130	268,065	261,944	0.7
As of March 31, 2018	41,316,341	279,736	273,771	0.7

\* Sizable amounts of "Clearing business financial assets and liabilities" and "Deposits from clearing participants" pertaining to clearing business conducted by consolidated subsidiary Japan Securities Clearing Corporation are included in assets and liabilities of JPX Group (meaning JPX and its subsidiaries). For JPX Group's financial position excluding "Clearing business financial assets and liabilities", "Deposits from clearing participants", etc., see "1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION - (2) Explanation on Financial Position" on Page 4 of the Appendix.

## 2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2018	–	24.00	–	43.00	67.00
Year ending March 31, 2019	–				
Year ending March 31, 2019 (Forecast)		27.00	–	27.00	54.00

(Note 1) Change in dividends forecast from the most recent announcement: None

(Note 2) Breakdown of year-end dividend for the fiscal year ended March 31, 2018: Ordinary Dividend ¥33;  
Commemorative Dividend ¥10.

## 3. Consolidated earnings forecast for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages represent year-on-year change)

	Operating revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Year ending March 31, 2019	123,000	1.9	68,000	(5.3)	69,000	(5.5)	48,100	(5.0)	48,000	(4.9)	89.59

(Note) Change in earnings forecast from the most recent announcement: None

\* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries that caused changes in the scope of consolidation): None

(2) Changes in accounting policies / changes in accounting estimates

- 1) Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
- 2) Changes in accounting policies other than the above: None
- 3) Changes in accounting estimates: None

\* For details, please refer to "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES - (5) Notes on Condensed Consolidated Financial Statements (Changes in accounting policies)" on page 12 of the Appendix.

(3) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares):

As of June 30, 2018:	536,351,448
As of March 31, 2018:	536,351,448

2) Number of treasury shares at the end of period:

As of June 30, 2018:	585,416
As of March 31, 2018:	585,416

3) Average number of shares:

Three months ended June 30, 2018:	535,766,032
Three months ended June 30, 2017:	537,208,664

\* Disclosure regarding the execution of the quarterly review process

This release is outside the scope of the external auditor's quarterly review procedure.

\* Explanation on appropriate use of forecast and other special items

This material contains earnings forecast and other forward-looking statements which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors may cause actual results, etc. to be materially different from those expressed in these forward-looking statements.

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Japan Exchange Group, Inc., and/or its affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

(Appendix)

Contents of Appendix

1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION ...	2
(1) Explanation on Operating Results ...	2
(2) Explanation on Financial Position ...	4
(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc. ...	5
2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES ...	6
(1) Condensed Consolidated Statement of Financial Position ...	6
(2) Condensed Consolidated Statement of Income ...	8
(3) Condensed Consolidated Statement of Comprehensive Income ...	9
(4) Condensed Consolidated Statement of Changes in Equity ...	10
(5) Notes on Condensed Consolidated Financial Statements ...	12
(Note on Going-Concern Assumption) ...	12
(Changes in accounting policies) ...	12
(Operating Revenue) ...	12
(Operating Expenses) ...	12

# 1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

## (1) Explanation on Operating Results

During the consolidated cumulative first quarter (from April 1, 2018 to June 30, 2018), JPX Group recorded operating revenue of ¥29,562 million (6.0% increase from the same period of the previous fiscal year (i.e., year-on-year)) due to factors such as year-on-year increases in clearing services revenue, listing services revenue and information services revenue, and operating expenses were ¥12,917 million (7.9% year-on-year increase). As a result, JPX Group recorded operating income of ¥17,413 million (5.9% year-on-year increase) and income before income tax of ¥17,609 million (5.9% year-on-year increase).

In addition, net income attributable to owners of the parent company after tax was ¥11,623 million (6.9% year-on-year increase).

(Operating revenue)

### 1) Trading services revenue

Trading services revenue comprises “Transaction Fees” based on the value of securities traded or volume of derivatives traded, “Basic Fees” based on the types of the trading participant’s trading qualification, “Access Fees” based on the number of orders, and “Trading System Facilities Usage Fees” based on the types of trading system facilities used.

During the consolidated cumulative first quarter, trading services revenue maintained the same level year-on-year at ¥11,941 million.

Breakdown of trading services revenue

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change (%)
Trading services revenue	11,945	11,941	(0.0)
Transaction fees	9,626	9,622	(0.0)
Cash equities	7,091	7,231	2.0
Derivatives	2,535	2,391	(5.7)
TOPIX futures transactions	491	464	(5.5)
Nikkei 225 futures transactions *1	1,044	946	(9.4)
Nikkei 225 options transactions *2	621	500	(19.5)
10-year JGB futures transactions	353	442	25.1
Others	24	37	51.0
Basic fees	262	257	(1.8)
Access fees	1,225	1,188	(3.0)
Trading system facilities Usage fees	809	851	5.1
Others	20	22	5.6

\*1: Figures include Nikkei 225 mini futures transactions.

\*2: Figures exclude Nikkei 225 Weekly Options transactions.

### 2) Clearing services revenue

Clearing services revenue comprises clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation.

During the consolidated cumulative first quarter, clearing services revenue increased 7.2% year-on-year to ¥6,072 million.

### 3) Listing services revenue

Listing services revenue comprises “Initial/Additional Listing Fees” that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and “Annual Listing Fees” received from listed companies based on their market capitalization.

During the consolidated cumulative first quarter, listing services revenue increased 17.6% year-on-year to ¥3,254 million due to increases in initial/additional listing fees and annual listing fees.

#### Breakdown of listing services revenue

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change (%)
Listing services revenue	2,768	3,254	17.6
Initial/Additional listing fees	520	773	48.6
Annual listing fees	2,248	2,481	10.4

### 4) Information services revenue

Information services revenue comprises revenue related to the provision of market information to information vendors, etc., which is market information fees, revenue related to the index business, and revenue related to the provision of corporate action information and other information.

During the consolidated cumulative first quarter, information services revenue increased 9.0% year-on-year to ¥5,300 million due mainly to increases in market information fees and index business revenue.

### 5) Other operating revenue

Other operating revenue includes the following main items:

- Usage fees for arrownet, which connects trading, market information and other systems to trading participants and other users;
- Usage fees related to co-location services that allow trading participants, information vendors, and other users to install devices in the system center for the purpose of improving trade execution efficiency by shortening order transmission time, etc.
- Revenue from provision of trading system and other services, and
- Revenue from system development and operations conducted by consolidated subsidiary TOSHO SYSTEM SERVICE CO., LTD.

During the consolidated cumulative first quarter, other operating revenue increased 13.6% year-on-year to ¥2,993 million due mainly to increases in revenue from usage fees for arrownet and usage fees related to co-location services.

#### Breakdown of other operating revenue

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Change (%)
Other operating revenue	2,635	2,993	13.6
arrownet usage fees	769	796	3.6
Co-location services usage fees	841	943	12.0
Other	1,024	1,253	22.3

(Operating expenses)

During the consolidated cumulative first quarter, personnel expenses decreased 0.2% year-on-year to ¥3,884 million.

System maintenance and operation expenses include expenses related to maintenance and management/operations of various systems including the cash equities and derivatives trading systems.

During the consolidated cumulative first quarter, system maintenance and operation expenses increased 16.0% year-on-year to ¥3,051 million.

During the consolidated cumulative first quarter, depreciation and amortization increased 20.3% year-on-year to ¥2,782 million.

During the consolidated cumulative first quarter, other operating expenses increased 2.1% year-on-year to ¥3,198 million.

## (2) Explanation on Financial Position

(Assets, liabilities, and equity)

For assets and liabilities of JPX Group, “clearing business financial assets and liabilities” assumed by Japan Securities Clearing Corporation as a clearing organization and “deposits from clearing participants” deposited by clearing participants as collateral are included under both assets and liabilities. “Clearing business financial assets and liabilities” and “Deposits from clearing participants” have a large impact on the amount of assets and liabilities of JPX Group due to their sizable amounts and daily fluctuations subject to changes in clearing participants’ positions. In addition, “Legal guarantee funds”, “Trading participant security money”, and “Default compensation reserve funds” based on the rules for securing safety of financial instruments transactions are included under assets and liabilities or equity.

Total assets as of June 30, 2018 decreased ¥5,474,211 million from the end of the previous fiscal year to ¥35,842,130 million as a result of a decrease in clearing business financial assets. Excluding clearing business financial assets, deposits from clearing participants, legal guarantee funds, and default compensation reserve funds, assets decreased ¥15,096 million from the end of the previous fiscal year to ¥339,521 million.

Total liabilities as of June 30, 2018 decreased ¥5,462,539 million from the end of the previous fiscal year to ¥35,574,065 million as a result of a decrease in clearing business financial liabilities. Excluding clearing business financial liabilities, deposits from clearing participants, legal guarantee funds, and trading participant security money, liabilities decreased ¥4,347 million from the end of the previous fiscal year to ¥91,079 million.

Total equity as of June 30, 2018 decreased ¥11,671 million from the end of the previous fiscal year to ¥268,065 million, due to capital increase from net income attributable to owners of the parent company, and capital reduction due mainly to dividend payment. In addition, after excluding default compensation reserve funds, total equity as of the same date was ¥240,116 million.

<Reference>

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2018	35,842,130	268,065	261,944	0.7
	*339,521	*240,116	*233,996	*68.9
As of March 31, 2018	41,316,341	279,736	273,771	0.7
	*354,618	*251,788	*245,823	*69.3

(Note)

Figures marked “\*” under “Total assets” exclude “Clearing business financial assets”, “Deposits from clearing participants”, “Legal guarantee funds”, and “Default compensation reserve funds”, “Total equity” and “Total equity attributable to owners of the parent company” exclude “Default compensation reserve funds”.

(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.

1) Consolidated Earnings Forecast

There are no revisions to the consolidated earnings forecast from the forecast figures announced in the “Consolidated financial results for the fiscal year ended March 31, 2018 (Based on IFRS), unaudited” on April 27, 2018 (hereinafter “previously disclosed material”).

The consolidated earnings forecast for the year ending March 31, 2019 is based on the assumptions that the average daily trading values and volumes are ¥3.45 trillion for stocks\*<sup>1</sup>, 31,000 contracts for 10-year JGB futures transactions, 113,000 contracts for TOPIX futures transactions, 206,000 contracts for Nikkei 225 futures transactions\*<sup>2</sup>, and ¥27.5 billion for Nikkei 225 options transactions\*<sup>3</sup>.

\*<sup>1</sup> The trading value of stocks listed on the TSE 1st and 2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market, and that of ETFs, ETNs, REITs, etc. (includes auction and off-auction trading)

\*<sup>2</sup> Includes Nikkei 225 mini contract volumes converted into large-sized contracts

\*<sup>3</sup> Excludes Weekly Options transactions

2) Dividend Forecast

There are no revisions to the dividend forecast from the forecast figures announced in previously disclosed material.

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:

- Maintaining sound financial health as a financial instruments exchange group,
- Preparing for risks as a clearing organization, and
- Enabling JPX Group to pursue investment opportunities to raise the competitiveness of its markets as they arise.



## 2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Condensed Consolidated Statement of Financial Position

	As of March 31, 2018	As of June 30, 2018
	Millions of yen	Millions of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	78,999	45,110
Trade and other receivables	11,841	14,205
Clearing business financial assets	37,311,964	31,935,406
Specified assets for deposits from clearing participants	3,621,319	3,538,758
Specified assets for legal guarantee funds	491	495
Income tax receivables	6,191	14,300
Other financial assets	86,700	97,200
Other current assets	1,814	1,543
<b>Total current assets</b>	<b>41,119,322</b>	<b>35,647,020</b>
<b>Non-current assets</b>		
Property and equipment	5,209	5,409
Goodwill	67,374	67,374
Intangible assets	34,208	33,812
Retirement benefit assets	5,956	5,938
Investments accounted for using the equity method	10,407	10,936
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	36,252	33,616
Other non-current assets	5,774	6,165
Deferred tax assets	3,887	3,908
<b>Total non-current assets</b>	<b>197,019</b>	<b>195,110</b>
<b>Total assets</b>	<b>41,316,341</b>	<b>35,842,130</b>

	As of March 31, 2018	As of June 30, 2018
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	5,591	3,669
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	37,311,964	31,935,406
Deposits from clearing participants	3,621,319	3,538,758
Legal guarantee funds	491	495
Trading participant security money	7,402	8,324
Income tax payables	14,253	5,285
Other current liabilities	7,599	14,651
Total current liabilities	<u>41,001,120</u>	<u>35,539,091</u>
Non-current liabilities		
Bonds and loans payable	19,940	19,941
Retirement benefit liabilities	7,624	7,705
Other non-current liabilities	3,392	3,322
Deferred tax liabilities	4,526	4,003
Total non-current liabilities	<u>35,484</u>	<u>34,973</u>
Total liabilities	<u>41,036,604</u>	<u>35,574,065</u>
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(953)	(953)
Other components of equity	10,816	9,632
Retained earnings	212,691	202,048
Total equity attributable to owners of the parent company	<u>273,771</u>	<u>261,944</u>
Non-controlling interests	5,965	6,120
Total equity	<u>279,736</u>	<u>268,065</u>
Total liabilities and equity	<u><u>41,316,341</u></u>	<u><u>35,842,130</u></u>

(2) Condensed Consolidated Statement of Income

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of yen	Millions of yen
Revenue		
Operating revenue	27,876	29,562
Other revenue	18	27
Total revenue	<u>27,895</u>	<u>29,590</u>
Expenses		
Operating expenses	11,968	12,917
Other expenses	0	2
Total expenses	<u>11,969</u>	<u>12,919</u>
Share of income of investments accounted for using the equity method	514	741
Operating income	<u>16,440</u>	<u>17,413</u>
Financial income	210	216
Financial expenses	20	20
Income before income tax	<u>16,630</u>	<u>17,609</u>
Income tax expense	5,651	5,831
Net income	<u>10,978</u>	<u>11,778</u>
Net income attributable to		
Owners of the parent company	10,874	11,623
Non-controlling interests	104	154
Net income	<u>10,978</u>	<u>11,778</u>
Earnings per share		
Basic (Yen)	20.24	21.69
Diluted (Yen)	—	—

(3) Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of yen	Millions of yen
Net income	10,978	11,778
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(803)	(386)
Share of other comprehensive income of investments accounted for using the equity method	(0)	(0)
Other comprehensive income, net of tax	(803)	(386)
Comprehensive income	10,175	11,391
Comprehensive income attributable to		
Owners of the parent company	10,070	11,236
Non-controlling interests	104	154
Comprehensive income	10,175	11,391

## (4) Condensed Consolidated Statement of Changes in Equity

## Equity attributable to owners of the parent company

	Share capital	Capital surplus	Treasury shares	Other components of equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	11,500	59,722	(13,506)	11,604
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(803)
Total comprehensive income	–	–	–	(803)
Acquisition of treasury shares	–	(2)	(7,451)	–
Dividends paid	–	–	–	–
Total transactions with the owners	–	(2)	(7,451)	–
Balance as of June 30, 2017	11,500	59,720	(20,957)	10,800
Balance as of April 1, 2018	11,500	39,716	(953)	10,816
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(386)
Total comprehensive income	–	–	–	(386)
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(797)
Total transactions with the owners	–	–	–	(797)
Balance as of June 30, 2018	11,500	39,716	(953)	9,632

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	188,634	257,955	5,815	263,770
Net income	10,874	10,874	104	10,978
Other comprehensive income, net of tax	–	(803)	–	(803)
Total comprehensive income	10,874	10,070	104	10,175
Acquisition of treasury shares	–	(7,453)	–	(7,453)
Dividends paid	(14,066)	(14,066)	–	(14,066)
Total transactions with the owners	(14,066)	(21,519)	–	(21,519)
Balance as of June 30, 2017	185,442	246,505	5,920	252,425
Balance as of April 1, 2018	212,691	273,771	5,965	279,736
Net income	11,623	11,623	154	11,778
Other comprehensive income, net of tax	–	(386)	–	(386)
Total comprehensive income	11,623	11,236	154	11,391
Dividends paid	(23,063)	(23,063)	–	(23,063)
Transfer from other components of equity to retained earnings	797	–	–	–
Total transactions with the owners	(22,265)	(23,063)	–	(23,063)
Balance as of June 30, 2018	202,048	261,944	6,120	268,065

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Changes in accounting policies)

JPX Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" since the consolidated cumulative first quarter accounting period. The application of IFRS 9 and 15 does not have any impact on the performance or financial conditions of JPX Group.

(Operating Revenue)

The breakdown of "Operating revenue" is as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of yen	Millions of yen
Trading services revenue	11,945	11,941
Clearing services revenue	5,664	6,072
Listing services revenue	2,768	3,254
Information services revenue	4,862	5,300
Other	2,635	2,993
Total	27,876	29,562

(Operating Expenses)

The breakdown of "Operating expenses" is as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Millions of yen	Millions of yen
Personnel expenses	3,893	3,884
System maintenance and operation expenses	2,630	3,051
Depreciation and amortization	2,312	2,782
Other	3,132	3,198
Total	11,968	12,917

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Japan Exchange Group, Inc., and/or its affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.