

(Reference Translation)



March 28, 2019

To whom it may concern:

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Name of Representative: Takamichi Hamada, Director,  
President & CEO

Basic Agreement regarding Business Combination between  
Japan Exchange Group, Inc. and Tokyo Commodity Exchange, Inc.

Japan Exchange Group, Inc. (JPX) and Tokyo Commodity Exchange, Inc. (TOCOM) (collectively, the "Companies") hereby announce that we have resolved to agree to pursue the realization of a business combination (the "Business Combination") at their respective Board of Directors meetings held today, and entered into a basic agreement (the "Basic Agreement") today, as detailed below.

1. Background of Discussions toward the Business Combination and Objectives of the Realization of a Comprehensive Exchange

(1) Background of Discussions toward the Business Combination

As announced respectively in "JPX Concluded NDA with TOCOM" and "TOCOM Concluded NDA with JPX" on October 23, 2018, the Companies concluded a non-disclosure agreement, started and continued discussions toward the realization of a comprehensive exchange.

While one-stop exchanges that provide financial securities and commodity derivatives trading on a single platform, also known as "comprehensive exchanges", have become mainstream in the world, in Japan, multiple exchanges are established based on different legal bases, which brought about a situation that impairs the convenience of investors and a challenge for securing the sustainability of Japan's commodity derivatives market. Given such a situation, the Companies have discussed and examined, in good faith, ways to maintain and strengthen the competitiveness of Japan's derivatives market from various perspectives. Accordingly, the Companies have come to share the perspective that the best solution would be to combine the Companies' respective strengths to realize a comprehensive exchange. As such, the

Companies entered into the Basic Agreement today in order to conduct further discussion of the Business Combination. For the realization of a comprehensive exchange, the Companies will give due consideration for existing trading participants of the commodity markets.

## (2) Objectives of the Realization of a Comprehensive Exchange

The vision for the comprehensive exchange to be realized following the Business Combination is as detailed below. Following the realization of a comprehensive exchange, the Companies aim to improve the creditworthiness of TOCOM and invigorate Japan's derivatives market, and thereby contribute to the further development of Japanese companies and the Japanese economy.

### (i) Enhancement of the Global Presence of the Tokyo Market

Enabling one-stop trading of various derivatives products through the realization of a comprehensive exchange will enhance the convenience of the Tokyo market, strengthening its global competitiveness, and enhancing its presence as an economic hub in Asia and a highly transparent market that is open to the world.

### (ii) Invigoration of Commodity Markets by Facilitating Inflows from Financial Institutions

With the realization of a comprehensive exchange, the Companies aim to invigorate commodity markets by facilitating inflows from financial institutions, such as securities companies, banks, and other global investors, whose participation is currently limited. The Companies believe that doing so will further enhance the functions of Japan's commodity markets (i.e., formation of price indicators, hedges against price fluctuation risks, physical delivery, and clearing).

## 2. Summary of the Business Combination

### (1) Manner of the Business Combination

In order to realize the Business Combination, the Companies are considering having JPX conduct a tender offer for the issued shares (including non-voting shares) of TOCOM (hereinafter the "Tender Offer") to convert TOCOM into a wholly-owned subsidiary of JPX. In the event that JPX fails to acquire all of TOCOM's issued shares (including non-voting shares) through the Tender Offer, JPX will conduct a demand for share, etc. cash-out and a series of other procedures based on the Companies Act to make JPX the sole shareholder of TOCOM (hereinafter the "Squeeze-Out Procedure").

The Companies will continue deliberations in good faith towards the realization of the Business Combination including the Tender Offer.

The detailed conditions and manner of the Tender Offer, including the purchase price, will be disclosed as soon as they are determined after deliberations between the Companies that take into account matters such as the results of the forthcoming due diligence process.

## (2) Schedule of the Business Combination

March 28, 2019 (today)	Conclusion of the Basic Agreement
End of June 2019 (tentative schedule)	Conclusion of the Final Agreement, Commencement of the Tender Offer
September 2019 (tentative schedule)	Closing of the Tender Offer
October 2019 (tentative schedule)	Settlement of the Tender Offer (In the case of any non-tendering shareholders, immediate commencement of the Squeeze-Out Procedure and completion of the Business Combination)
Earliest possible date around FY2020 (tentative schedule)	Completion of Product Transfer, Consolidation of Clearing Organizations

The Business Combination is subject to the necessary approvals, etc. of the related regulatory authorities.

## 3. Policy, Structure, etc. after the Business Combination

### (1) Transfer of Products to Osaka Exchange and other matters

The Companies confirmed that after the Business Combination, at the earliest possible date around FY2020, the handling of products, including the transfer of products from TOCOM to Osaka Exchange, Inc. (OSE) (hereinafter the "Product Transfer"), will be as described below.

(i) All listed commodity component products on the Precious Metals, Rubber, and Agricultural Product & Sugar Markets will be transferred from TOCOM to OSE.

(ii) The listed commodity component products on the Oil and Chukyo Oil Markets will not be transferred for the time being. Listing of new oil-related listed commodity component products on OSE will be discussed between the Companies.

(iii) The Companies aim to list and handle Electricity and LNG products in TOCOM's markets.

(iv) The handling of (a) listed commodity component products for which trading is suspended as well as (b) new listed commodity component products and new products underlying a listed commodity index will be separately discussed between the Companies.

The Product Transfer will be conducted based on premises, such as that each product is specified in public notice as products prescribed in Article 2, Paragraph 24, Item 3-2 of the Financial Instruments and Exchange Act.

### (2) Consolidation of Clearing Organizations

The Companies agreed to consolidate Japan Commodity Clearing House Co., Ltd., a TOCOM subsidiary, into Japan Securities Clearing Corporation, a JPX subsidiary, after the Business Combination.

### (3) Others

Matters other than the above, such as business policies and organization after the Business Combination, will be determined after deliberation between the Companies.

### 4. Future Outlook

The Companies will conduct prompt disclosure in the event where any matter requiring disclosure emerges.

### 5. Overview of Companies Involved in the Business Combination (as of September 30, 2018)

(1)	Trade Name	Japan Exchange Group, Inc.	Tokyo Commodity Exchange, Inc.
(2)	Location of Head Office	2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo	10-7 Nihombashi Horidomecho, 1-chome, Chuo-ku, Tokyo
(3)	Title and Name of Representative	Akira Kiyota, Director & Representative Executive Officer, Group CEO	Takamichi Hamada, Director, President & CEO
(4)	Details of Business	Management of financial instruments exchanges and other accompanying business	Establishment and operation of markets necessary for futures trading of commodities and commodity indices and other accompanying business, based on the Commodity Derivatives Act
(5)	Amount of Capital	JPY 11,500 mil.	JPY 1,989 mil.
(6)	Date of Incorporation	January 1, 2013	February 19, 1951
(7)	Number of Issued Shares	536,351,448 shares	3,124,573 shares
(8)	Last Day of Fiscal Year	March 31	March 31
(9)	Number of Employees	1,093 (consolidated) 193 (non-consolidated)	93 (consolidated) 74 (non-consolidated)

(10)	Major Shareholders and Shareholding Ratios	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.05%	Yutaka Shoji Co., Ltd.	6.18%
		SMBC Nikko Securities Inc.	3.64%	NIHON UNICOM, INC.	4.90%
		Japan Trustee Services Bank, Ltd. (Trust Account)	3.57%	Mizuho Capital Co., Ltd.	4.90%
		NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	2.15%	Mitsubishi Corporation RtM Japan Ltd.	4.88%
		Japan Trustee Services Bank, Ltd. (Trust Account 5)	2.00%	Sumitomo Corporation	4.84%
		SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1.92%	Nikkei Inc.	4.80%
		Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.79%	Nomura Holdings, Inc.	4.80%
		THE BANK OF NEW YORK 134104 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.56%	Mizuho Bank, Ltd.	4.80%
		Mizuho Securities Co., Ltd.	1.54%	Resona Bank, Limited.	4.80%
		STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.53%	NTT DATA Corporation	4.77%

(11)	Relationship between the Companies Involved					
	Capital Relationship	Not applicable				
	Personnel Relationship	Not applicable				
	Business Relationship	JPX provides TOCOM with a trading system, etc.				
	Relationship with Related Parties	Not applicable				
(12)	Business Performance and Financial Results for Past Three Fiscal Years					
	Japan Exchange Group, Inc. (consolidated, IFRS)			Tokyo Commodity Exchange, Inc. (consolidated, J-GAAP)		
Fiscal Year	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Total Equity	262,912	263,770	279,736	9,023	7,923	7,195
Total Assets	29,546,776	41,288,932	41,316,341	113,944	122,767	136,117
Equity Attributable to Owners of Parent per Share (JPY)	468.43	477.31	510.99	791.60	695.14	631.25
Operating Revenue	114,776	107,885	120,711	3,007	2,951	3,095
Operating Income (Loss)	66,271	59,377	71,791	(559)	(1,162)	(792)
Ordinary Income (Loss)	-	-	-	(29)	(1,034)	(718)
Net Income (Loss) Attributable to Owners of Parent	44,877	42,124	50,484	(489)	(1,099)	(727)
Consolidated Basic Earnings (Loss) per Share (JPY)	81.74	77.00	94.17	(160.83)	(361.57)	(239.18)
Dividend per Share (JPY)	71	47	67	-	-	-

(Figures indicated in JPY mil. unless stated otherwise)

(Note 1) JPX is a company that prepares consolidated financial statements according to International Financial Reporting Standards (IFRS). As such, for "Ordinary Income (Loss)", no figures are provided

for JPX because there is no corresponding item.

- (Note 2) TOCOM is a company that prepares consolidated financial statements according to Japanese General Accepted Accounting Principles (J-GAAP). As such, for "Total Equity", "Total Assets", "Equity Attributable to Owners of Parent per Share", "Net Income (Loss) Attributable to Owners of Parent", and "Consolidated Basic Earnings (Loss) per Share", figures for TOCOM are TOCOM's consolidated figures for "Net Assets", "Total Assets", "Net Assets per Share", "Net Income (Loss) Attributable to Owners of Parent", and "Net Income (Loss) per Share" calculated based on J-GAAP.
- (Note 3) For TOCOM's "Major Shareholders and Shareholding Ratios", figures are based on the total of common shares and non-voting shares.

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