

## Japan Exchange Group, Inc. and Consolidated Subsidiaries

Consolidated financial results for the six months ended September 30, 2019

(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	
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Scheduled date of filing of quarterly report:	November 13, 2019	
Scheduled date of start of dividend payment:	December 2, 2019	
Preparation of 2Q earnings presentation material:	Yes	
Holding of 2Q earnings announcement:	Yes (For institutional investors and analysts)	

### 1. Consolidated financial results for six months ended September 30, 2019

(from April 1, 2019 to September 30, 2019)

(Figures less than a millions yen are omitted)

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

(Percentages represent changes year on year)

	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	%
Six months ended September 30, 2019	57,936	(2.2)	31,870	(7.2)	32,011	(8.8)	21,992	(9.2)	21,573	(9.8)	23,977	(5.0)
Six months ended September 30, 2018	59,231	6.2	34,355	4.7	35,098	4.6	24,209	5.9	23,920	5.4	25,248	11.2

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended September 30, 2019	40.29	—
Six months ended September 30, 2018	44.65	—

#### (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 September 30, 2019	68,410,143	292,019	285,158	0.4
As of March 31, 2019	54,069,405	291,450	285,009	0.5

\* 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, 2019	–	27.00	–	43.00	70.00
Year ending March 31, 2020	–	24.00			
Year ending March 31, 2020 (Forecast)			–	24.00	48.00

(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, 2019: Ordinary Dividend ¥28; Special Dividend ¥15.

## 3. Consolidated earnings forecast for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages represent changes year on year)

	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, 2020	117,000	(3.4)	60,000	(13.7)	60,500	(14.5)	42,400	(14.4)	42,000	(14.4)	78.44

(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: Yes

\* For details, please refer to "(Changes in Accounting Policies)" and "(Changes in Accounting Estimates)" of "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES - (5) Notes on Condensed Consolidated Financial Statements" 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 September 30, 2019:	536,351,448
As of March 31, 2019:	536,351,448

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

As of September 30, 2019:	911,324
As of March 31, 2019:	718,620

3) Average number of shares:

Six months ended September 30, 2019:	535,480,869
Six months ended September 30, 2018:	535,725,501

\* This release is outside the scope of the quarterly review by certified public accountants or an audit firm.

\* 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.

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(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
(Changes in Accounting Estimates) ...	12
(Operating Revenue) ...	13
(Operating Expenses) ...	13

## 1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

### (1) Explanation on Operating Results

During the consolidated cumulative second quarter (from April 1, 2019 to September 30, 2019), JPX Group recorded operating revenue of ¥57,936 million (2.2% decrease from the same period of the previous fiscal year (i.e., year on year)), and operating expenses were ¥27,482 million (increased 4.9% year on year). As a result, JPX Group recorded operating income of ¥31,870 million (decreased 7.2% year on year) and income before income tax of ¥32,011 million (decreased 8.8% year on year).

In addition, net income attributable to owners of the parent company after tax was ¥21,573 million (decreased 9.8% year on year).

(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 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 second quarter, trading services revenue decreased 7.2% year on year to ¥21,965 million due mainly to a decrease in transaction fees resulting from year-on-year decreases in trading of cash equities.

Breakdown of trading services revenue

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	
			Change (%)
Trading services revenue	23,679	21,965	(7.2)
Transaction fees	19,036	17,343	(8.9)
Cash equities	14,061	12,049	(14.3)
Derivatives	4,975	5,294	6.4
TOPIX futures transactions	957	1,037	8.3
Nikkei 225 futures transactions *1	2,010	2,111	5.0
Nikkei 225 options transactions *2	1,004	1,115	11.0
10-year JGB futures transactions	940	943	0.3
Others	62	87	40.3
Basic fees	512	496	(3.0)
Access fees	2,368	2,289	(3.3)
Trading system facilities Usage fees	1,717	1,791	4.3
Others	45	45	(0.2)

\*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 second quarter, clearing services revenue increased 2.2% year on year to ¥12,335 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 second quarter, listing services revenue decreased 3.0% year on year to ¥6,646 million due to decreases in initial/additional listing fees and annual listing fees.

#### Breakdown of listing services revenue

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change (%)
Listing services revenue	6,848	6,646	(3.0)
Initial/Additional listing fees	1,790	1,667	(6.9)
Annual listing fees	5,058	4,979	(1.6)

### 4) Information services revenue

Information services revenue comprises revenue related to the provision of market information to information vendors, etc., which represents 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 second quarter, information services revenue increased 1.6% year on year to ¥10,628 million due mainly to increases in 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 second quarter, other operating revenue increased 3.1% year on year to ¥6,360 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)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change (%)
Other operating revenue	6,170	6,360	3.1
arrownet usage fees	1,608	1,667	3.6
Co-location services usage fees	1,900	1,989	4.7
Other	2,661	2,703	1.6

(Operating expenses)

During the consolidated cumulative second quarter, personnel expenses increased 3.4% year on year to ¥8,164 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.

System maintenance and operation expenses decreased 0.2% year on year to ¥5,923 million.

Depreciation and amortization increased 35.4% year on year to ¥7,723 million.

Other operating expenses decreased 15.0% year on year to ¥5,670 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 September 30, 2019 increased by ¥14,340,737 million from the end of the previous fiscal year to ¥68,410,143 million as a result of an increase in clearing business financial assets. Excluding clearing business financial assets, deposits from clearing participants, legal guarantee funds, and default compensation reserve funds, assets increased by ¥2,551 million from the end of the previous fiscal year to ¥362,054 million.

Total liabilities as of September 30, 2019 increased by ¥14,340,169 million from the end of the previous fiscal year to ¥68,118,124 million as a result of an increase in clearing business financial liabilities. Excluding clearing business financial liabilities, deposits from clearing participants, legal guarantee funds, and trading participant security money, liabilities increased by ¥2,136 million from the end of the previous fiscal year to ¥89,752 million.

Total equity as of September 30, 2019 increased by ¥568 million from the end of the previous fiscal year to ¥292,019 million, due to an increase from the recording of net income attributable to owners of the parent company despite a decrease due mainly to dividend payment. In addition, after excluding default compensation reserve funds, total equity as of the same date was ¥264,070 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 September 30, 2019	68,410,143	292,019	285,158	0.4
	*362,054	*264,070	*257,210	*71.0
As of March 31, 2019	54,069,405	291,450	285,009	0.5
	*359,502	*263,502	*257,060	*71.5

(Note)

Figures marked “\*” under “Total assets” exclude “Clearing business financial assets”, “Deposits from clearing participants”, “Legal guarantee funds”, and “Default compensation reserve funds”, and those marked “\*” under “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 “Notice of Revision to Earnings Forecast and Dividend Forecast” disclosed on September 25, 2019 (hereinafter “previously disclosed material”).

The consolidated earnings forecast for the year ending March 31, 2020 is based on the assumptions that the average daily trading values and volumes are ¥2.8 trillion for stocks<sup>\*1</sup>, 40,000 contracts for 10-year JGB futures transactions, 107,000 contracts for TOPIX futures transactions, 201,000 contracts for Nikkei 225 futures transactions<sup>\*2</sup>, and ¥23.0 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, 2019	As of September 30, 2019
	Millions of yen	Millions of yen
<b>Assets</b>		
Current assets		
Cash and cash equivalents	63,891	62,037
Trade and other receivables	11,402	11,397
Clearing business financial assets	49,886,377	63,885,755
Specified assets for deposits from clearing participants	3,795,086	4,133,898
Specified assets for legal guarantee funds	490	487
Income tax receivables	6,311	7,556
Other financial assets	113,100	111,900
Other current assets	1,979	3,397
Total current assets	<u>53,878,639</u>	<u>68,216,430</u>
Non-current assets		
Property and equipment	7,293	11,579
Goodwill	67,374	67,374
Intangible assets	33,435	34,584
Retirement benefit assets	5,872	5,825
Investments accounted for using the equity method	12,474	13,563
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	26,634	23,086
Other non-current assets	6,071	6,004
Deferred tax assets	3,661	3,746
Total non-current assets	<u>190,766</u>	<u>193,712</u>
Total assets	<u><u>54,069,405</u></u>	<u><u>68,410,143</u></u>

	As of March 31, 2019	As of September 30, 2019
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,421	3,855
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	49,886,377	63,885,755
Deposits from clearing participants	3,795,086	4,133,898
Legal guarantee funds	490	487
Trading participant security money	8,384	8,230
Income tax payables	9,676	10,047
Other current liabilities	7,136	8,389
Total current liabilities	<u>53,744,073</u>	<u>68,083,164</u>
Non-current liabilities		
Bonds and loans payable	19,946	19,950
Retirement benefit liabilities	7,964	8,004
Other non-current liabilities	2,914	4,183
Deferred tax liabilities	3,055	2,821
Total non-current liabilities	<u>33,882</u>	<u>34,960</u>
Total liabilities	<u>53,777,955</u>	<u>68,118,124</u>
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(1,213)	(1,560)
Other components of equity	7,688	7,160
Retained earnings	227,317	228,341
Total equity attributable to owners of the parent company	<u>285,009</u>	<u>285,158</u>
Non-controlling interests	6,441	6,860
Total equity	<u>291,450</u>	<u>292,019</u>
Total liabilities and equity	<u><u>54,069,405</u></u>	<u><u>68,410,143</u></u>

(2) Condensed Consolidated Statement of Income

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of yen	Millions of yen
Revenue		
Operating revenue	59,231	57,936
Other revenue	92	122
Total revenue	59,323	58,059
Expenses		
Operating expenses	26,202	27,482
Other expenses	1	22
Total expenses	26,203	27,504
Share of income of investments accounted for using the equity method	1,235	1,315
Operating income	34,355	31,870
Financial income	784	190
Financial expenses	41	49
Income before income tax	35,098	32,011
Income tax expense	10,888	10,019
Net income	24,209	21,992
Net income attributable to		
Owners of the parent company	23,920	21,573
Non-controlling interests	289	419
Net income	24,209	21,992
Earnings per share		
Basic (Yen)	44.65	40.29
Diluted (Yen)	—	—

(3) Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of yen	Millions of yen
Net income	24,209	21,992
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	1,038	1,985
Share of other comprehensive income of investments accounted for using the equity method	(0)	(0)
Other comprehensive income, net of tax	1,038	1,985
Comprehensive income	25,248	23,977
Comprehensive income attributable to		
Owners of the parent company	24,958	23,558
Non-controlling interests	289	419
Comprehensive income	25,248	23,977

## (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, 2018	11,500	39,716	(953)	10,816
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	1,038
Total comprehensive income	–	–	–	1,038
Acquisition of treasury shares	–	–	(264)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(2,032)
Total transactions with the owners	–	–	(264)	(2,032)
Balance as of September 30, 2018	11,500	39,716	(1,218)	9,822

  

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Millions of yen	Millions of yen		
Balance as of April 1, 2018	212,691	273,771	5,965	279,736
Net income	23,920	23,920	289	24,209
Other comprehensive income, net of tax	–	1,038	–	1,038
Total comprehensive income	23,920	24,958	289	25,248
Acquisition of treasury shares	–	(264)	–	(264)
Dividends paid	(23,063)	(23,063)	–	(23,063)
Transfer from other components of equity to retained earnings	2,032	–	–	–
Total transactions with the owners	(21,030)	(23,327)	–	(23,327)
Balance as of September 30, 2018	215,581	275,402	6,254	281,657

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, 2019	11,500	39,716	(1,213)	7,688
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	1,985
Total comprehensive income	–	–	–	1,985
Acquisitions of treasury shares	–	–	(350)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(2,514)
Other	–	–	3	–
Total transactions with the owners	–	–	(346)	(2,514)
Balance as of September 30, 2019	11,500	39,716	(1,560)	7,160

	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, 2019	227,317	285,009	6,441	291,450
Net income	21,573	21,573	419	21,992
Other comprehensive income, net of tax	–	1,985	–	1,985
Total comprehensive income	21,573	23,558	419	23,977
Acquisitions of treasury shares	–	(350)	–	(350)
Dividends paid	(23,063)	(23,063)	–	(23,063)
Transfer from other components of equity to retained earnings	2,514	–	–	–
Other	–	3	–	3
Total transactions with the owners	(20,549)	(23,409)	–	(23,409)
Balance as of September 30, 2019	228,341	285,158	6,860	292,019

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Adoption of IFRS 16 "Leases")

JPX Group adopted IFRS 16 "Leases" (issued in January 2016; hereinafter "IFRS 16") from the period for the three months ended June 30, 2019. In applying IFRS 16, JPX Group adopted the method of recognizing the cumulative effect of applying this standard as of the date of initial application, which is an accepted transition measure.

In applying IFRS 16, JPX Group has chosen the practical expedient under IFRS 16 Paragraph C3 to grandfather previous assessments of whether contracts contain leases under IAS 17 "Leases" (hereinafter "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease". From the date of initial application, this assessment is made pursuant to the provisions of IFRS 16.

For leases that JPX Group, as lessee, previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities are recognized as of the date of initial application. These lease liabilities have been measured at the present value of the remaining lease payments discounted at the lessee's incremental borrowing rate of 0.27% at the date of initial application. Right-of-use assets have been measured based on the amount of the initial measurement of the lease liabilities.

The following is a reconciliation of non-cancellable operating lease contracts applying IAS 17 as of the end of the previous fiscal year and lease liabilities recognized in the condensed consolidated statement of financial position as of the date of initial application.

	Millions of yen
Non-cancellable operating lease contracts (as of March 31, 2019)	—
Finance lease liabilities (as of March 31, 2019)	—
Cancellable operating lease contracts, etc.	6,082
Lease liabilities as of April 1, 2019	<u>6,082</u>

As a result, as of the date of initial application, "property and equipment", "other current liabilities", and "other non-current liabilities" in the condensed consolidated statement of financial position have increased by ¥6,082 million, ¥3,090 million, and ¥2,991 million respectively.

Note that JPX Group uses the following practical expedient in applying IFRS 16.

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics

(Changes in Accounting Estimates)

Tokyo Stock Exchange, Inc. has reviewed the useful lives of its current systems, shortening the initial estimates ahead of the launch of new IT systems.

As a result of this change, operating income and income before income tax each decreased by ¥51 million for the six months ended September 30, 2019 in comparison with those calculated by the previous method.

(Operating Revenue)

The breakdown of “Operating revenue” is as follows:

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of yen	Millions of yen
Trading services revenue	23,679	21,965
Clearing services revenue	12,067	12,335
Listing services revenue	6,848	6,646
Information services revenue	10,465	10,628
Other	6,170	6,360
Total	59,231	57,936

(Operating Expenses)

The breakdown of “Operating expenses” is as follows:

	Six months ended September 30, 2018	Six months ended September 30, 2019
	Millions of yen	Millions of yen
Personnel expenses	7,894	8,164
System maintenance and operation expenses	5,935	5,923
Depreciation and amortization	5,702	7,723
Other	6,669	5,670
Total	26,202	27,482

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