

Japan Exchange Group, Inc. and Consolidated Subsidiaries

Consolidated financial results for the three months ended June 30, 2020

(Based on IFRS), unaudited

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 Holding of 1Q earnings announcement: None

1. Consolidated financial results for three months ended June 30, 2020

(from April 1, 2020 to June 30, 2020)

(Figures less than a million 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	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Three months ended June 30, 2020	32,666	12.4	18,365	13.0	18,414	12.3	12,261	12.3	12,082	12.8	12,141	1.9
Three months ended June 30, 2019	29,069	(1.7)	16,246	(6.7)	16,402	(6.9)	10,919	(7.3)	10,711	(7.8)	11,919	4.6

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2020	22.57	–
Three months ended June 30, 2019	20.00	–

(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
	Mil. yen	Mil. yen	Mil. yen	%
As of June 30, 2020	60,827,068	301,073	293,747	0.5
As of March 31, 2020	67,286,302	305,375	298,228	0.4

* Sizable amounts of “Clearing business financial assets and liabilities” and “Deposits from clearing participants” pertaining to clearing business conducted by consolidated subsidiaries Japan Securities Clearing Corporation and Japan Commodity Clearing House Co.,Ltd. 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, 2020	–	24.00	–	30.00	54.00
Year ending March 31, 2021	–				
Year ending March 31, 2021 (Forecast)		24.00	–	24.00	48.00

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

3. Consolidated earnings forecast for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	
Year ending March 31, 2021	121,500	(1.8)	62,000	(9.5)	62,100	(10.1)	43,100	(10.8)	42,500	(10.7)	79.40

(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: None

2) Changes in accounting policies other than the above: None

3) Changes in accounting estimates: None

(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, 2020: 536,351,448

As of March 31, 2020: 536,351,448

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

As of June 30, 2020: 1,075,955

As of March 31, 2020: 904,476

3) Average number of shares:

Three months ended June 30, 2020: 535,342,754

Three months ended June 30, 2019: 535,522,061

*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)

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1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

(1) Explanation on Operating Results

During the consolidated cumulative first quarter (from April 1, 2020 to June 30, 2020), JPX Group recorded operating revenue of ¥32,666 million (12.4% increase from the same period of the previous fiscal year (i.e., year on year)), and operating expenses were ¥15,235 million (increased 11.7% year on year). As a result, JPX Group recorded operating income of ¥18,365 million (increased 13.0% year on year) and income before income tax of ¥18,414 million (increased 12.3% year on year).

In addition, net income attributable to owners of the parent company after tax was ¥12,082 million (increased 12.8% year on year).

(Operating revenue)

1) Trading services revenue

Trading services revenue is comprised of “Transaction Fees” based on the value of securities traded or volume of financial and commodity 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, and other similar fees.

During the consolidated cumulative first quarter, trading services revenue increased 23.3% year on year to ¥13,630 million due mainly to an increase in transaction fees resulting from a year-on-year increase in trading of cash equities and financial derivatives.

Breakdown of trading services revenue

(Mil. yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Change (%)
Trading services revenue	11,057	13,630	23.3
Transaction fees	8,735	11,175	27.9
Cash equities	6,141	7,725	25.8
Financial derivatives	2,593	2,920	12.6
TOPIX futures transactions	493	474	(4.0)
Nikkei 225 futures transactions *1	1,038	1,340	29.1
Nikkei 225 options transactions *2	559	823	47.3
10-year JGB futures transactions	467	232	(50.3)
Others	34	49	41.4
Commodity derivatives	—	530	—
Basic fees	249	258	3.7
Access fees	1,149	1,283	11.7
Trading system facilities Usage fees	901	887	(1.6)
Others	21	25	17.1

*1: Figures include Nikkei 225 mini futures transactions.

*2: Figures exclude Nikkei 225 Weekly Options transactions.

2) Clearing services revenue

Clearing services revenue is comprised of clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation, the assumption of obligations of commodity transactions carried out by Japan Commodity Clearing House Co., Ltd., and other similar fees.

During the consolidated cumulative first quarter, clearing services revenue increased 20.5% year on year to ¥7,418 million.

3) Listing services revenue

Listing services revenue is comprised of “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, and other similar fees.

During the consolidated cumulative first quarter, listing services revenue decreased 5.0% year on year to ¥3,126 million due mainly to a decrease in initial/additional listing fees.

Breakdown of listing services revenue

(Mil. yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Change (%)
Listing services revenue	3,290	3,126	(5.0)
Initial/Additional listing fees	734	432	(41.0)
Annual listing fees	2,556	2,693	5.4

4) Information services revenue

Information services revenue is comprised of market information fees, which consist of revenue related to the provision of market information to information vendors, etc., as well as 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 7.1% year on year to ¥5,723 million due mainly to an increase in market information fees.

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; 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 decreased 14.0% year on year to ¥2,767 million.

Breakdown of other operating revenue

(Mil. yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Change (%)
Other operating revenue	3,218	2,767	(14.0)
arrownet usage fees	837	819	(2.1)
Co-location services usage fees	1,019	1,025	0.6
Other	1,360	922	(32.2)

(Operating expenses)

During the consolidated cumulative first quarter, personnel expenses increased 11.3% year on year to ¥4,582 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 increased 9.8% year on year to ¥3,223 million.

Depreciation and amortization increased 17.8% year on year to ¥4,479 million.

Other operating expenses increased 5.7% year on year to ¥2,949 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 and Japan Commodity Clearing House Co., Ltd. as clearing organizations 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 the safety of financial instruments transactions and commodity futures transactions are included both under assets and either liabilities or equity.

Total assets as of June 30, 2020 decreased by ¥6,459,234 million from the end of the previous fiscal year to ¥60,827,068 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 by ¥5,481 million from the end of the previous fiscal year to ¥373,339 million.

Total liabilities as of June 30, 2020 decreased by ¥6,454,932 million from the end of the previous fiscal year to ¥60,525,994 million as a result of the same 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 by ¥1,018 million from the end of the previous fiscal year to ¥92,125 million.

Total equity as of June 30, 2020 decreased by ¥4,301 million from the end of the previous fiscal year to ¥301,073 million, due to capital reduction as a result of dividend payment despite a capital increase from net income attributable to owners of the parent company. In addition, after excluding default compensation reserve funds, total equity as of the same date was ¥273,125 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
	Mil. yen	Mil. yen	Mil. yen	%
As of June 30, 2020	60,827,068	301,073	293,747	0.5
	*373,339	*273,125	*265,799	*71.2
As of March 31, 2020	67,286,302	305,375	298,228	0.4
	*378,820	*277,427	*270,280	*71.3

(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 “Consolidated financial results for the fiscal year ended March 31, 2020 (Based on IFRS), unaudited” disclosed on April 30, 2020 (hereinafter “previously disclosed material”).

The consolidated earnings forecast for the year ending March 31, 2021 is based on the assumptions that the average daily trading values and volumes are ¥3.0 trillion for stocks^{*1}, 39,000 contracts for 10-year JGB futures transactions, 106,000 contracts for TOPIX futures transactions, 210,000 contracts for Nikkei 225 futures transactions^{*2}, and ¥24.5 billion for Nikkei 225 options transactions^{*3}.

^{*1} 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)

^{*2} Includes Nikkei 225 mini contract volumes converted into large-sized contracts

^{*3} 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 approximately 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, 2020	As of June 30, 2020
	Mil. yen	Mil. yen
Assets		
Current assets		
Cash and cash equivalents	71,883	64,103
Trade and other receivables	16,686	17,008
Clearing business financial assets	60,329,672	54,751,156
Specified assets for deposits from clearing participants	6,549,099	5,673,869
Specified assets for legal guarantee funds	762	754
Income tax receivables	5,922	14,105
Other financial assets	117,400	116,300
Other current assets	1,837	1,753
Total current assets	67,093,263	60,639,051
Non-current assets		
Property and equipment	14,798	13,744
Goodwill	67,374	67,374
Intangible assets	35,045	34,431
Retirement benefit assets	5,642	5,617
Investments accounted for using the equity method	14,703	15,356
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	18,156	14,223
Other non-current assets	6,049	5,971
Deferred tax assets	3,321	3,349
Total non-current assets	193,039	188,016
Total assets	67,286,302	60,827,068

	As of March 31, 2020	As of June 30, 2020
	Mil. yen	Mil. yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,643	3,808
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	60,329,672	54,751,156
Deposits from clearing participants	6,549,099	5,673,869
Legal guarantee funds	762	754
Trading participant security money	8,248	8,088
Income tax payables	10,289	5,797
Other current liabilities	10,062	16,882
Total current liabilities	<u>66,947,278</u>	<u>60,492,857</u>
Non-current liabilities		
Bonds and loans payable	19,953	19,955
Retirement benefit liabilities	8,866	8,968
Other non-current liabilities	2,162	2,324
Deferred tax liabilities	2,665	1,888
Total non-current liabilities	<u>33,648</u>	<u>33,136</u>
Total liabilities	<u>66,980,926</u>	<u>60,525,994</u>
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(1,548)	(1,902)
Other components of equity	5,602	3,841
Retained earnings	242,958	240,590
Total equity attributable to owners of the parent company	<u>298,228</u>	<u>293,747</u>
Non-controlling interests	7,146	7,326
Total equity	<u>305,375</u>	<u>301,073</u>
Total liabilities and equity	<u><u>67,286,302</u></u>	<u><u>60,827,068</u></u>

(2) Condensed Consolidated Statement of Income

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Mil. yen	Mil. yen
Revenue		
Operating revenue	29,069	32,666
Other revenue	31	53
Total revenue	<u>29,100</u>	<u>32,720</u>
Expenses		
Operating expenses	13,643	15,235
Other expenses	12	0
Total expenses	<u>13,655</u>	<u>15,235</u>
Share of income of investments accounted for using the equity method	802	880
Operating income	<u>16,246</u>	<u>18,365</u>
Financial income	180	75
Financial expenses	24	25
Income before income tax	<u>16,402</u>	<u>18,414</u>
Income tax expense	5,482	6,153
Net income	<u>10,919</u>	<u>12,261</u>
Net income attributable to		
Owners of the parent company	10,711	12,082
Non-controlling interests	208	179
Net income	<u>10,919</u>	<u>12,261</u>
Earnings per share		
Basic (Yen)	20.00	22.57
Diluted (Yen)	—	—

(3) Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Mil. yen	Mil. yen
Net income	10,919	12,261
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	999	(119)
Share of other comprehensive income of investments accounted for using the equity method	0	(0)
Other comprehensive income, net of tax	999	(119)
Comprehensive income	11,919	12,141
Comprehensive income attributable to		
Owners of the parent company	11,710	11,962
Non-controlling interests	208	179
Comprehensive income	11,919	12,141

(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
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2019	11,500	39,716	(1,213)	7,688
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	999
Total comprehensive income	–	–	–	999
Acquisitions of treasury shares	–	–	(350)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(1,157)
Other	–	–	3	–
Total transactions with the owners	–	–	(346)	(1,157)
Balance as of June 30, 2019	11,500	39,716	(1,560)	7,530

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2019	227,317	285,009	6,441	291,450
Net income	10,711	10,711	208	10,919
Other comprehensive income, net of tax	–	999	–	999
Total comprehensive income	10,711	11,710	208	11,919
Acquisitions of treasury shares	–	(350)	–	(350)
Dividends paid	(23,063)	(23,063)	–	(23,063)
Transfer from other components of equity to retained earnings	1,157	–	–	–
Other	–	3	–	3
Total transactions with the owners	(21,905)	(23,409)	–	(23,409)
Balance as of June 30, 2019	216,123	273,309	6,650	279,960

Equity attributable to owners of the parent company

	Share capital	Capital surplus	Treasury shares	Other components of equity
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2020	11,500	39,716	(1,548)	5,602
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(119)
Total comprehensive income	–	–	–	(119)
Acquisitions of treasury shares	–	–	(353)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(1,640)
Other	–	–	–	–
Total transactions with the owners	–	–	(353)	(1,640)
Balance as of June 30, 2020	11,500	39,716	(1,902)	3,841

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2020	242,958	298,228	7,146	305,375
Net income	12,082	12,082	179	12,261
Other comprehensive income, net of tax	–	(119)	–	(119)
Total comprehensive income	12,082	11,962	179	12,141
Acquisitions of treasury shares	–	(353)	–	(353)
Dividends paid	(16,090)	(16,090)	–	(16,090)
Transfer from other components of equity to retained earnings	1,640	–	–	–
Other	–	–	–	–
Total transactions with the owners	(14,449)	(16,443)	–	(16,443)
Balance as of June 30, 2020	240,590	293,747	7,326	301,073

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Operating Revenue)

The breakdown of "Operating revenue" is as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Mil. yen	Mil. yen
Trading services revenue	11,057	13,630
Clearing services revenue	6,157	7,418
Listing services revenue	3,290	3,126
Information services revenue	5,345	5,723
Other	3,218	2,767
Total	29,069	32,666

(Operating Expenses)

The breakdown of "Operating expenses" is as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2020
	Mil. yen	Mil. yen
Personnel expenses	4,117	4,582
System maintenance and operation expenses	2,935	3,223
Depreciation and amortization	3,801	4,479
Other	2,789	2,949
Total	13,643	15,235

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<Attachment>

Information on Risks Related to Coronavirus, etc.

(1) Measures to Ensure Business Continuity

With respect to the global pandemic of novel coronavirus (COVID-19), a further spread within Japan could lead to JPX Group facing risks to its business continuity resulting from, for example, impacts on the public transportation system that JPX Group employees use to commute, or COVID-19 infection cases among JPX Group employees.

To ensure that the impacts of COVID-19 do not affect the stable operation of its markets, JPX Group has implemented the following measures to ensure business continuity. This is in addition to various measures to prevent further spread of COVID-19 in line with guidance such as the Japanese government's Basic Policies for Prevention and Control of the Novel Coronavirus.

- Established a BCP (Business Continuity Plan) Emergency Headquarters headed by the Group CEO, in line with the JPX Group's BCP;
 - Carefully examined each department's duties and situation, and is encouraging remote working for employees whose duties are judged to not require physical attendance at the office based on this;
 - For employees whose duties involve physical attendance at the office, actively implemented staggered working hours using the flex time system;
 - Developed and implemented a multi-channel operational structure for employees whose duties require physical attendance at the office, by dividing them into several teams which work at physically different locations, in principle rotating between the office and home but also using nearby back up facilities;
- and so on.

While persisting with measures to prevent the further spread of COVID-19, JPX Group will continue striving for stable market operations by flexibly implementing initiatives as needed to ensure business continuity in response to the changing situation.

(2) Impact on Earnings

Among JPX Group's operating revenue, "trading services revenue" and "clearing services revenue" (which accounted respectively for 41.7% and 22.7% of consolidated operating revenue for the three months ended June 30, 2020) are heavily reliant on the value of securities traded and volume of derivatives traded. Meanwhile, listing services revenue (which accounted for 9.6% over the same period) is reliant on the market capitalization of and the funds raised by listed companies as well as the number of new listings.

The Japanese economy is in extremely difficult circumstances due to COVID-19. Although a certain level of improvement in these circumstances is expected, helped by various government policies, we need to keep an eye on the development of the pandemic in Japan and overseas and the impact of fluctuations in the financial and capital markets and other factors.

JPX Group's revenue is greatly affected by trends in the secondary market for securities and derivatives products as well as the primary market for securities, and furthermore by trends in global financial markets and economic conditions in Japan and overseas. In particular, as most TSE listed companies are Japanese companies, JPX Group's earnings are strongly linked to economic conditions in Japan, meaning that they are at risk of significantly adverse impacts if economic stagnation, etc. causes a deterioration of the environment surrounding the primary and secondary markets, leading to a decrease in trading volume and value on the cash equity and derivatives markets and a decrease in market capitalization of or funds raised by listed companies. Furthermore, since trends in the primary and secondary markets can also be strongly affected by other varying factors including economic circumstances, it is extremely difficult to accurately predict these trends.

In order to fulfill its duty as public infrastructure despite the increasing impacts of COVID-19, JPX Group will place top priority on continuing stable market operations and take every possible measure to that end.

As for the consolidated earnings forecast for the fiscal year ending March 31, 2021, assumptions were calculated using actual trading values and volumes for the fiscal year ended March 31, 2020, since growing uncertainties about market conditions due to the impacts of the spread of COVID-19 make it difficult to accurately predict the future situation. Actual trading value and volume may differ depending on future market conditions, resulting in a large impact on consolidated earnings.