

Japan Exchange Group, Inc. and Consolidated Subsidiaries
Consolidated financial results for the six months ended September 30, 2021
(Based on IFRS), unaudited

Company name:	Japan Exchange Group, Inc.	Stock Exchange Listings:	Tokyo
Code number:	8697	URL:	https://www.jpx.co.jp/english/
Representative:	Kiyota Akira, Director & Representative Executive Officer, Group CEO		
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Scheduled date of filing of quarterly report:	November 12, 2021		
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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, 2021
(from April 1, 2021 to September 30, 2021)

(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	%
Six months ended September 30, 2021	65,506	2.6	36,051	2.4	36,044	2.3	25,007	3.4	24,564	3.3	25,177	1.1
Six months ended September 30, 2020	63,834	10.2	35,191	10.4	35,225	10.0	24,176	9.9	23,787	10.3	24,915	3.9

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended September 30, 2021	46.23	—
Six months ended September 30, 2020	44.44	—

(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 September 30, 2021	59,583,064	311,295	303,528	0.5
As of March 31, 2021	60,075,678	328,769	321,391	0.5

Note: 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" and "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, 2021	—	26.00	—	42.00	68.00
Year ending March 31, 2022	—	26.00			
Year ending March 31, 2022 (Forecast)			—	27.00	53.00

Note 1: Change in dividends forecast from the most recent announcement: Yes

The year-end dividend forecast has been revised from that stated in "Consolidated financial results for the fiscal year ended March 31, 2021 (Based on IFRS), unaudited" disclosed on April 28, 2021. For details, please refer to "Notice of Revision to Earnings Forecast and Dividend Forecast" disclosed today.

Note 2: Breakdown of year-end dividend for the fiscal year ended March 31, 2021: ordinary dividend ¥32; special dividend ¥10.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	131,000	(1.8)	67,500	(9.5)	67,500	(9.7)	46,700	(10.2)	46,000	(10.5)	yen 86.88

Note: Change in earnings forecast from the most recent announcement: Yes

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 September 30, 2021: 536,351,448

As of March 31, 2021: 536,351,448

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

As of September 30, 2021: 8,822,727

As of March 31, 2021: 1,034,400

3) Average number of shares:

Six months ended September 30, 2021: 531,421,385

Six months ended September 30, 2020: 535,311,832

• This release is outside the scope of the quarterly review by certified public accountants and audit firms.

• Explanation on appropriate use of forecast and other special items

This material contains an 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 second quarter (from April 1, 2021 to September 30, 2021), JPX Group recorded operating revenue of ¥65,506 million (increased 2.6% from the same period of the previous fiscal year (i.e., year on year)), and operating expenses were ¥30,168 million (decreased 0.5% year on year). As a result, JPX Group recorded operating income of ¥36,051 million (increased 2.4% year on year) and income before income tax of ¥36,044 million (increased 2.3% year on year).

In addition, net income attributable to owners of the parent company after tax was ¥24,564 million (increased 3.3% 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, "trading system facilities usage fees" based on the types of trading system facilities used, and other similar fees.

During the consolidated cumulative second quarter, trading services revenue decreased 2.8% year on year to ¥25,159 million due mainly to a decrease in transaction fees resulting from a year-on-year decrease in derivatives trading volume.

Breakdown of trading services revenue

(Mil. yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change (%)
Trading services revenue	25,882	25,159	(2.8)
Transaction fees	21,066	20,347	(3.4)
Cash equities	14,865	15,009	1.0
Financial derivatives	5,138	4,601	(10.4)
TOPIX futures transactions	947	909	(4.1)
Nikkei 225 futures transactions*	2,314	1,785	(22.9)
Nikkei 225 options transactions**	1,218	1,112	(8.7)
10-year JGB futures transactions	558	702	25.8
Others	99	92	(6.8)
Commodity derivatives	1,062	736	(30.6)
Basic fees	512	500	(2.4)
Access fees	2,496	2,446	(2.0)
Trading system facilities usage fees	1,760	1,815	3.1
Others	46	48	5.6

*Figures include Nikkei 225 mini futures transactions.

**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 and other similar fees.

During the consolidated cumulative second quarter, clearing services revenue decreased 2.5% year on year to ¥13,648 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, "annual listing fees" received from listed companies based on their market capitalization, and other similar fees.

During the consolidated cumulative second quarter, listing services revenue increased 12.8% year on year to ¥7,577 million due mainly to an increase in initial/additional listing fees.

Breakdown of listing services revenue

(Mil. yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change (%)
Listing services revenue	6,718	7,577	12.8
Initial/additional listing fees	1,345	1,926	43.2
Annual listing fees	5,372	5,650	5.2

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 second quarter, information services revenue increased 15.7% year on year to ¥13,410 million due mainly to an increase in market information fees.

5) Other operating revenue

Other operating revenue includes mainly 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 TOSHO SYSTEM SERVICE CO., LTD.

During the consolidated cumulative second quarter, other operating revenue increased 1.1% year on year to ¥5,712 million.

Breakdown of other operating revenue

(Mil. yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change (%)
Other operating revenue	5,651	5,712	1.1
arrownet usage fees	1,665	1,758	5.6
Co-location services usage fees	2,125	2,356	10.9
Other	1,860	1,596	(14.2)

(Operating expenses)

During the consolidated cumulative second quarter, personnel expenses decreased 1.3% year on year to ¥9,083 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 10.2% year on year to ¥7,181 million.

Depreciation and amortization decreased 2.7% year on year to ¥8,643 million.

Other operating expenses decreased 8.2% year on year to ¥5,260 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 and other transactions are included under both assets and either liabilities or equity.

Total assets as of September 30, 2021 decreased by ¥492,613 million from the end of the previous fiscal year to ¥59,583,064 million due mainly to 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 ¥17,837 million from the end of the previous fiscal year to ¥383,295 million.

Total liabilities as of September 30, 2021 decreased by ¥475,139 million from the end of the previous fiscal year to ¥59,271,769 million due mainly to 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 ¥911 million from the end of the previous fiscal year to ¥91,238 million.

Total equity as of September 30, 2021 decreased by ¥17,474 million from the end of the previous fiscal year to ¥311,295 million, due to a capital reduction as a result of dividend payment and acquisition of own shares 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 ¥283,347 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 September 30, 2021	59,583,064	311,295	303,528	0.5
	*383,295	*283,347	*275,580	*71.9
As of March 31, 2021	60,075,678	328,769	321,391	0.5
	*401,132	*300,821	*293,443	*73.2

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

In light of recent market conditions, we have revised the average daily trading values and volumes, which were the assumptions used in the consolidated earnings forecast in the "Consolidated financial results for the fiscal year ended March 31, 2021 (Based on IFRS), unaudited" disclosed on April 28, 2021 (hereinafter "previously disclosed material"). Specifically, the consolidated earnings forecast was revised based on the revised assumptions of average daily trading values and volumes (changes from previously disclosed material indicated in parentheses) of ¥3.5 trillion for cash equities* (up ¥50 billion), 30,000 contracts for 10-year JGB futures (down 6,000 contracts), 97,000 contracts for TOPIX futures (down 11,000 contracts), 170,000 contracts for Nikkei 225 futures** (down 43,000 contracts), and ¥23 billion for Nikkei 225 options*** (down ¥3.5 billion). For details, please refer to "Notice of Revision to Earnings Forecast and Dividend Forecast" disclosed today.

*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)

**Includes Nikkei 225 mini contract volumes converted into large-sized contracts

***Excludes weekly options transactions

2) Dividend Forecast

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.

In line with the abovementioned policy, the year-end dividend forecast has been revised to ¥27 per share due to an expected increase in net income attributable to owners of the parent company from the revision to the consolidated earnings forecast. For details, please refer to "Notice of Revision to Earnings Forecast and Dividend Forecast" disclosed today.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Condensed Consolidated Statement of Financial Position

	As of March 31, 2021	As of September 30, 2021
	Mil. yen	Mil. yen
Assets		
Current assets		
Cash and cash equivalents	108,209	80,655
Trade and other receivables	14,936	15,119
Clearing business financial assets	53,649,780	53,289,599
Specified assets for deposits from clearing participants	5,996,143	5,881,575
Specified assets for legal guarantee funds	673	646
Income tax receivables	5,286	8,562
Other financial assets	116,800	116,500
Other current assets	2,033	2,395
Total current assets	<u>59,893,862</u>	<u>59,395,054</u>
Non-current assets		
Property and equipment	10,697	15,103
Goodwill	67,374	67,374
Intangible assets	35,977	38,242
Retirement benefit assets	8,204	8,173
Investments accounted for using the equity method	16,736	17,279
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	5,309	3,989
Other non-current assets	6,181	6,143
Deferred tax assets	3,385	3,755
Total non-current assets	<u>181,815</u>	<u>188,010</u>
Total assets	<u><u>60,075,678</u></u>	<u><u>59,583,064</u></u>

	As of March 31, 2021	As of September 30, 2021
	Mil. yen	Mil. yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,132	5,907
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	53,649,780	53,289,599
Deposits from clearing participants	5,996,143	5,881,575
Legal guarantee funds	673	646
Trading participant security money	8,161	8,709
Income tax payables	15,038	11,136
Other current liabilities	8,746	8,432
Total current liabilities	<u>59,715,175</u>	<u>59,238,506</u>
Non-current liabilities		
Bonds and loans payable	19,960	19,963
Retirement benefit liabilities	9,018	9,073
Other non-current liabilities	2,336	3,807
Deferred tax liabilities	418	418
Total non-current liabilities	<u>31,732</u>	<u>33,262</u>
Total liabilities	<u>59,746,908</u>	<u>59,271,769</u>
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,743
Treasury shares	(1,825)	(21,931)
Other components of equity	992	391
Retained earnings	271,006	273,824
Total equity attributable to owners of the parent company	<u>321,391</u>	<u>303,528</u>
Non-controlling interests	<u>7,378</u>	<u>7,767</u>
Total equity	<u>328,769</u>	<u>311,295</u>
Total liabilities and equity	<u><u>60,075,678</u></u>	<u><u>59,583,064</u></u>

(2) Condensed Consolidated Statement of Income

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Mil. yen	Mil. yen
Revenue		
Operating revenue	63,834	65,506
Other revenue	232	68
Total revenue	<u>64,067</u>	<u>65,575</u>
Expenses		
Operating expenses	30,332	30,168
Other expenses	1	11
Total expenses	<u>30,333</u>	<u>30,179</u>
Share of income of investments accounted for using the equity method	1,458	656
Operating income	<u>35,191</u>	<u>36,051</u>
Financial income	85	44
Financial expenses	51	51
Income before income tax	<u>35,225</u>	<u>36,044</u>
Income tax expense	<u>11,049</u>	<u>11,036</u>
Net income	<u>24,176</u>	<u>25,007</u>
Net income attributable to		
Owners of the parent company	23,787	24,564
Non-controlling interests	388	442
Net income	<u>24,176</u>	<u>25,007</u>
Earnings per share		
Basic (Yen)	44.44	46.23
Diluted (Yen)	—	—

(3) Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Mil. yen	Mil. yen
Net income	24,176	25,007
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	739	169
Share of other comprehensive income of investments accounted for using the equity method	(0)	0
Other comprehensive income, net of tax	739	169
Comprehensive income	24,915	25,177
Comprehensive income attributable to		
Owners of the parent company	24,526	24,734
Non-controlling interests	388	442
Comprehensive income	24,915	25,177

(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, 2020	11,500	39,716	(1,548)	5,602
Net income	—	—	—	—
Other comprehensive income, net of tax	—	—	—	739
Total comprehensive income	—	—	—	739
Acquisitions of treasury shares	—	—	(366)	—
Dividends paid	—	—	—	—
Changes of interests in subsidiaries without losing control	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(3,052)
Other	—	—	26	—
Total transactions with the owners	—	—	(340)	(3,052)
Balance as of September 30, 2020	11,500	39,716	(1,889)	3,288

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen		
Balance as of April 1, 2020	242,958	298,228	7,146	305,375
Net income	23,787	23,787	388	24,176
Other comprehensive income, net of tax	—	739	—	739
Total comprehensive income	23,787	24,526	388	24,915
Acquisitions of treasury shares	—	(366)	—	(366)
Dividends paid	(16,090)	(16,090)	—	(16,090)
Changes of interests in subsidiaries without losing control	—	—	(397)	(397)
Transfer from other components of equity to retained earnings	3,052	—	—	—
Other	—	26	—	26
Total transactions with the owners	(13,037)	(16,430)	(397)	(16,827)
Balance as of September 30, 2020	253,708	306,325	7,138	313,463

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, 2021	11,500	39,716	(1,825)	992
Net income	—	—	—	—
Other comprehensive income, net of tax	—	—	—	169
Total comprehensive income	—	—	—	169
Acquisitions of treasury shares	—	—	(20,333)	—
Dividends paid	—	—	—	—
Changes of interests in subsidiaries without losing control	—	32	—	—
Transfer from other components of equity to retained earnings	—	—	—	(771)
Other	—	(5)	226	—
Total transactions with the owners	—	26	(20,106)	(771)
Balance as of September 30, 2021	<u>11,500</u>	<u>39,743</u>	<u>(21,931)</u>	<u>391</u>

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen		
Balance as of April 1, 2021	271,006	321,391	7,378	328,769
Net income	24,564	24,564	442	25,007
Other comprehensive income, net of tax	—	169	—	169
Total comprehensive income	24,564	24,734	442	25,177
Acquisitions of treasury shares	—	(20,333)	—	(20,333)
Dividends paid	(22,526)	(22,526)	—	(22,526)
Changes of interests in subsidiaries without losing control	8	41	(53)	(12)
Transfer from other components of equity to retained earnings	771	—	—	—
Other	—	220	—	220
Total transactions with the owners	<u>(21,747)</u>	<u>(42,598)</u>	<u>(53)</u>	<u>(42,652)</u>
Balance as of September 30, 2021	<u>273,824</u>	<u>303,528</u>	<u>7,767</u>	<u>311,295</u>

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Operating Revenue)

The breakdown of "operating revenue" is as follows:

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Mil. yen	Mil. yen
Trading services revenue	25,882	25,159
Clearing services revenue	13,992	13,648
Listing services revenue	6,718	7,577
Information services revenue	11,589	13,410
Other	5,651	5,712
Total	<u>63,834</u>	<u>65,506</u>

(Operating Expenses)

The breakdown of "operating expenses" is as follows:

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Mil. yen	Mil. yen
Personnel expenses	9,207	9,083
System maintenance and operation expenses	6,513	7,181
Depreciation and amortization	8,880	8,643
Other	5,730	5,260
Total	<u>30,332</u>	<u>30,168</u>

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