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Notes of Media Briefing by Mr. Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc. on March 27, 2012

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1. Development of Business Plan for FY2012

Tokyo Stock Exchange Group, Inc. (TSE Group) drew up and publicized the medium-term management plan in March 2011 as TSE Group's business plan for the three years from FY2011 onwards.

TSE Group implemented the medium-term management plan in FY2011 as the first year of such plan. In 2011, however, corporate performance deteriorated due to such factors as the Great East Japan Earthquake, subsequent power shortage, flooding in Thailand, and a historically strong yen fueled by the European debt crisis. It gave rise to excessive capital flight to risk-free assets on a global scale. As a result, FY2011 was a year of difficulties for the securities industry.

On the other hand, even under such harsh conditions, the number of IPOs has recovered and these IPO companies have been favorably received by the market. We have begun to feel a nascent movement of new companies and willingness to invest in companies with investment appeal. It is said that such conditions will continue in the next business year as well. In addition, expectations for the recovery of corporate performance due to reconstruction efforts are rising and the Bank of Japan (BOJ) clearly expressed its intension to continue monetary easing. Backed by the depreciation of the yen, as we can see today, the market has been recovering with an increase in trading volume.

TSE Group drew up a business plan for FY2012, the second year of the medium-term management plan, with a view to accurately grasping the positive signs gradually appearing to ensure economic recovery.

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The core of the strategies for FY2012 is to revitalize the Japanese economy via the securities market. This is what we have proposed since last summer, and TSE will focus on "Revitalization of the Japanese Stock Market" on its own. Specifically, TSE will focus on increasing the number of IPOs, enriching services for listed companies, enhancing the contents of research reports, and expanding the layers of new investors.

The other strategy is to "further improve market infrastructure convenience and reliability" which promotes a next generation market structure regarding systems, trading rules and frameworks.

TSE has already revised and relaxed the listing examination criteria of its three markets, the First and Second Sections, and Mothers. Under the new criteria, TSE will consciously promote an increase in the number of IPOs to support the growth of small-and-medium sized companies, etc. by providing risk capital through equities.

For "enriching services for listed companies", since only a few number of companies are subject to analyst coverage, TSE has decided to enhance analyst coverage in cooperation with external institutions and enrich services for disseminating English documents. In addition, while TSE has given awards to listed companies in the past, it will establish a new award system solely focusing on enhancing corporate value. Under this new award system, TSE will increase opportunities for domestic and overseas investors to obtain information on listed companies and develop an environment where listed companies are easily recognized as investment targets. This will enhance the added-value of TSE-listing for companies.

Through these efforts, TSE will aim at increasing the number of IPOs and companies which alter their listing market from other sections to a combined total of 50 or more companies in FY2012.

The number of new listings has been gradually increasing every year. In FY2011, it increased by 15 companies year-on-year to 42. From FY2013 onwards, the final year of the medium term management plan, TSE will aim at listing 60 or more companies on an

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ongoing and stable basis.

For "Expanding layers of new investors", TSE will take a direct approach to institutional and individual investors and revise the existing rules and business practices, such as extending trading hours and consolidation of trading units. TSE will consider what is convenient for institutional and individual investors, including tick size issues.

As for an approach to institutional investors, TSE will take the lead in launching a campaign for Japanese stocks for the first time in many years. TSE will provide information on Japanese stocks and encouraging individual promotion activities to overseas institutional investors. We will propose individual methods of utilizing ETFs to domestic institutional investors as, unlike Europe and the US, ETFs are mainly used by individual investors in Japan. In collaboration with securities companies and management companies, TSE will form a caravan and demonstrate the appeal of Japanese stocks and the market to both domestic and foreign investors.

When Japanese stock prices were stagnant decades ago, TSE sent a caravan overseas and attracted many foreign investors at once. We won't do the exact same thing, but we will modernize the campaign and thoroughly demonstrate the appeal of Japanese stocks.

TSE will continue to launch promotion activities for individual investors according to their investment experience. Additionally, we will make an effort to create opportunities to start stock investment via SNS, the TSE website, seminars, and electronic media. These efforts will include encouraging promotion activities to those who are less interested in stock investment from the standpoint of the general public and providing support for discovering companies with investment appeal based on investment indicators, etc. I believe using electronic media will be quite effective.

By expanding the layers of new investors, TSE will aim to increase annual trading value by 15% year-on-year, and average daily trading value from the current JPY1.1 trillion to possibly JPY1.35 trillion in FY2012.

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As for ETFs, we have set goals for FY2012 to list 20 new issues and we aim to largely increase ETF trading value (a 60% increase from the previous year). We hope to increase the daily average trading value from its current level of JPY 7 to 8 billion, to possibly JPY15 billion.

This is because, in Korea, daily trading value for ETFs is approximately JPY30 billion. The number of listed ETFs is almost the same. They have caught up with and surpassed TSE in terms of daily trading value, but 70 to nearly 80% of its ETF trading is leveraged. The Korean government has approved such ETFs from the beginning, and I believe this has given Korea a head start on Japan. As the Japanese administrative authorities also approved leveraged ETFs the other day, they will be listed on the Osaka and Tokyo markets in the near future. In Korea, daily average trading value is JPY30 billion to 35 billion, and leveraged ETFs account for at most 77% of that. This means transactions are concentrated on only a limited number of issues.

I find speculative ETF trading a little bit questionable, but it would not be appealing without certain liquidity. Therefore, ETFs with a -1x- or 2x leveraged index will invigorate the market.

For the second strategy, "Further improve market infrastructure convenience and reliability", TSE will consider a new market design and the launch of new information provision services utilizing the system infrastructure in conjunction with the establishment of the next-generation arrowhead to be introduced in FY2014. In response to expanding off-exchange trading, TSE will review trading rules, such as tick size issues, in light of inter-market competition. TSE is considering many actions, including separately creating smaller ticks, and we will take a positive stance regarding inter-market competition.

TSE will also consider connecting arrownet to external institutions. For a global system connection including SFTI connection to NYSE, as I described earlier, we will enhance the convenience and efficiency of a trading environment in terms of infrastructure as well as develop and operate highly reliable systems.

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2. TSE Group to Integrate "TOKYO AIM"

Moving on to the next topic, TOKYO AIM was jointly established with LSE in June 2009 and operates a professional-oriented market, the first of its kind in Japan. LSE has operated AIM, the largest market for growth companies in the world, since 1995. I remember approximately 1200 companies are listed on AIM. When TSE established TOKYO AIM with a similar concept, LSE held 49% of its shares and provided us with advice on the basic rules and systems as well as operational know-how.

UK laws, especially rules pertaining to the establishment of AIM, are principle-based and it was quite difficult to apply them to Japanese regulations. However, it was very significant for us to convert these rules in a Japanese way thanks to efforts of all related parties to create the market.

Two years after establishment, TOKYO AIM welcomed Mebiopharm Co., Ltd. as the first company to list on TOKYO AIM in July 2011. The company specializes in new drug development for cancer treatment. On April 26, Goyo Foods Industry co., ltd. will be listed on the market as the second listed company. It has taken three years since establishment, but we finally see companies applying for listing on the market.

TSE also established a professional-oriented bond market which is not shared by London's AIM. In China, bonds are already listed and traded, and competition between listed bond markets in Asia has started to expand. Considering the situation in China, we added this bond trading function to TOKYO AIM, which makes it a unique market. In light of various circumstances, I feel it is time for TSE to operate the market on its own.

We started the TOKYO AIM project with the goal of putting it on the track within the five years. However, during discussions with LSE, we have gradually felt the necessity of establishing our own unique market. In this sense, we have decided to integrate TOKYO AIM into TSE after acquiring 49% of shares currently held by LSE, and operate the professional-oriented market on its own.

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Of course, there will be no change in its market concept, serving as an incubator for listed companies, and frameworks such as listing and trading rules. However, as LSE owns the trademark, we will change the name of the market. On July 1, 2012, TSE will re-brand TOKYO AIM to TOKYO PRO Market. There will be no change in the name of "TOKYO PRO-BOND Market".

Currently, seven companies are registered as J-Nomads. They will be renamed "J-Advisers". They will examine and confirm listing eligibility as well as provide listed companies with advice on timely disclosure after listing.

TSE will continue to make efforts to provide fund-raising opportunities to growth companies in Japan as well as overseas, particularly Asia, and contribute to revitalizing the securities market and the Japanese economy.

When we asked listing applicants why they hope to be listed on TOKYO AIM, some of them answered, "We are interested in a market which does not require us to comply with J-SOX and submit quarterly reports" and "We want to contribute to the revitalization of local businesses via listing on the market". Also, foreign companies wishing to raise their profile in Japan said, "We want to use TOKYO AIM which approves English-language disclosure and International Accounting Standards".

In order to connect such needs to listing, TSE will revitalize the market by deepening coordination with investors who can provide funds over a long term to some extent, such as venture capitals and local financial institutions, expanding the investor base and reviewing the roles of J-Advisors.

With the main markets (First Section and Second Section), Mothers, and a professional-oriented market under its control, TSE will increase the number of IPOs in the overall TSE market by responding to companies considering listing in details according to their needs and growth.

3. New Listing of J-REIT

Lastly, I will briefly comment on J-REITs. On March 23, 2012 (Fri.), TSE approved the new listing of a J-REIT managed by Kenedix Residential Investment Corporation for the first time in the past four and half years. With this new listing, there will be a total of 35 J-REITs listed on the TSE market.

The current J-REIT market has been steadily recovering due to further monetary easing by the BOJ, and the TSE REIT Index increased by approximately 15% on a closing price basis as of March 23, 2012 (Fri.) from the beginning of this year.

The J-REIT market is in its 11th year since establishment. TSE will continue to actively support and invite IPOs to the J-REIT market, and at the same time, revitalize the market by demonstrating the appeal of REITs to investors as financial instruments generating high yields.

Q&A

Q: My first question is related to the recent stock market. The Nikkei Stock Average has recovered to the 10,000 yen level, and signs of market recovery are gradually appearing. What are your thoughts on the recent market conditions?

A: As I mentioned earlier, TOPIX has risen by about 20% since the beginning of this year. Perhaps, the performance is almost the same as Germany next to Russia, and better than Shanghai, India or New York.

In particular, trading value has increased to JPY1.4 trillion since February 2012. Of course, it has not yet reached an adequate level, but trading value fell under JPY 1 trillion in December 2011 and January 2012, therefore I feel that it has recovered quite steadily. The trading value of large, medium, and small-cap stocks has also risen. The Mothers Index has remained flat or fallen a little bit, but we see the trading value of some Mothers-listed companies significantly rising. As I said earlier, the

number of IPOs has increased steadily. This year has already seen six IPOs.

I think this was attributable to the fact that the European debt crisis subsided. There are various views, but the Italian Prime Minister said that future prospects have become rather clear and interest rates of Italian government bonds are also going down. Initially, the interest rates were a little bit higher than those of other countries. They were quite high during the debt crisis, but they have settled down to some extent. The EU has finally agreed to a financial rescue for Greece.

Germany is taking a more flexible stance. Some media reported that Germany may approve joint euro zone bonds. Under these circumstances, it is of great importance that the European debt crisis has subsided.

In addition, the BOJ set the inflation target to 1% in conjunction with its clear stance to monetary easing. I think the Japanese yen was excessively strong out of the scope of theory. Some analysts brought up purchasing power parity, but the Japanese yen appreciated by 30% to the dollar while the Korean won, Japan's competitor, depreciated by 60% to the yen for such a short term. From the standpoint of companies engaging in exporting industries, they cannot compete against Korea for the same product under these circumstances. I don't understand why the Japanese government did nothing about this.

After announcing it will lead an export drive, the US developed a major monetary easing policy. This is substantially equal to implementing foreign exchange intervention. In this way, governments desperately seek a method for survival. We must not be too dogmatic.

The Japanese yen was placed in an unusual situation. Looking at the situations of the Japanese economy, the Great East Japan Earthquake, and other events, I think the sudden appreciation of the yen was strange. As such, risk money was concentrated on bank deposits and other risk-free financial instruments. However, as the appreciation of the yen has been corrected to some extent, some of the money is coming back to

the stock market.

As I said before, Japan has comparatively many positive aspects from the global point of view, but Japanese people tend to take a self-deprecating attitude towards Japan. I don't understand it. For example, I don't think that the Japanese government is taking adequate measures regarding the lower birthrate and parts of their execution are quite poor. However, one researcher from Shanghai University who visited Japan recently said "China will face a significant decrease in its workforce in the future, but the Chinese government hasn't taken any steps to respond to this. On the other hand, the Japanese government has developed excellent measures." I think it is a comparative issue. As such, Japanese should not one-sidedly criticize the systems of their country, put themselves down, or be too pessimistic.

Due to the strong yen, for better or worse, some companies took a risk to transfer their production lines overseas and expanded M&As. Japanese fashion and thinking are accepted in foreign countries. Some pointed out there are many issues in politics, but Japan is not an autocratic, but a democratic country. Although various technologies are highly respected, I think Japanese stocks were oversold regardless of their PBR and PER.

I feel that the Japanese stock market has finally recovered. It may be my wishful thinking, but Japanese stocks will continue to be valued for a while from the global point of view. As corporate profits are rising, PER will be adjusted to some extent.

If the government injects approximately JPY 9 trillion into the reconstruction budget included in the third supplementary budget, domestic demand will increase to some extent. Foreign demand may not go up as we expected, but if domestic and foreign demands are well-balanced, I think it will result in a booming market.

Q: Moving on to the second question. The Securities and Exchange Surveillance Commission revealed an insider incident related to capital increases on March 21, 2012. The media has reported a spate of insider incidents pertaining to capital

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increases in the Tokyo market. How do you view this incident as a market operator? Have you considered any measures to prevent recurrence?

A: It took one and half years to reveal this incident. According to some media reports, a major financial institution obtained information from the lead underwriting securities company and conducted insider trading based on such information. I don't know the details, but as I commented before, it is very regrettable for TSE.

We have demonstrated that the Japanese capital market is globally competitive and reliable and has well-established rules with 130 years of history in Asia, but it is a shame for Japan as a whole to see such incident occurring in the country.

In response to comments from overseas market-related parties one and half years ago, we took measures immediately. Specifically, at the time of capital increases through public offering, we closely watched short-selling and imposed certain restrictions.

There were many issues even after we implemented such measures, but the Financial Instruments and Exchange Act (FIEA) was revised to prohibit transactions to close short positions using new shares obtained by subscribing to a capital increase through public offering. The revision came into effect on December 1, 2011. I think Japan Securities Dealers Association is also discussing requirements for underwriters related to public offerings to disclose to the issuer where new shares were allocated. I believe it is natural to seek this kind of transparency in securities trading.

Many of incidents related to finance are attributable to lack of information disclosure. If we have adequate transparency, incidents or accidents will rarely occur. If a company suppresses information that should be disclosed, I believe such company should face severe penalties. There must be practices and rules to impose penalties on companies which hold back information. Some market-related parties, particularly European investors, often propose that Japanese companies should use rights offerings as they found the Japanese way of capital increase questionable. The FIEA and TSE's listing rules have been revised to allow companies to use rights offerings. With all our efforts, rights offerings have finally become available. I hope that

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underwriters will encourage companies to use rights offering at the time of capital increases through public offering from now on.

I believe underwriting is a risk-taking business. I don't think the underwriting business is just underwriting securities, selling such securities in the market, and receiving commissions from the company. Underwriters should examine the company with enough responsibility and confidence to decide that it is worth investors' risk money and that they can take risk. I strongly hope that underwriters will act with such morals and such a sense of mission. I believe it should be a point of pride for underwriters.

When making our market better and free from doubts, securities companies should cooperate with exchanges and other institutions to discuss earnestly to make our market more reliable. I hope they will focus on maximizing profits as well as doing their job of contributing to society. In this sense, I ask underwriters to encourage companies to use rights offerings.

Q: Thank you.

Q: Regarding the insider incidents related to capital increases, you said that such incidents would not have occurred with sufficient transparency. Which field you think lacks transparency? My other question is, do you think it necessary to impose penalties on companies or expand the scope of such penalties as a deterrent?

A: As I said earlier, I think it will be quite effective to inform where new shares are allocated and the number of allocated shares of the issuer. I don't think it is necessary to disclose such information to unrelated parties, but disclosure will allow the issuer to check the conditions of such allocation. There should not be a cozy relationship between an issuer and parties to which shares are allocated, so the balance is important.

As for penalties, I don't like to restrict everything severely. For example, there is a

practice in the US and Europe that a person who commits illicit acts will be permanently barred from the finance industry depending on the content of such acts. In cases where a person commits a felony violating securities laws, Mr. Milken, for example, such person cannot work on Wall Street for life. I also remember the former Salomon Brothers CEO. He also cannot work in finance for life because his subordinates rigged bids.

I heard that no one earned profit personally in the insider incident which occurred this time. As the details are yet to be known, I am not sure how the insider trading was conducted and information was leaked to the external parties. Anyway, we should not allow any insider trading.

Q: For the goal labeled "Discover non-public local companies through communication with municipal entities/local corporations" in the business plan, how will you achieve this target specifically? I think Fukuoka SE (FSE), Sapporo SE (SSE) and other exchanges are also making efforts to discover such companies. What do you think about differentiating TSE from the regional exchanges?

A: I think there is no need to differentiate TSE from regional exchanges. In particular, FSE places importance on local companies listed on its market. Therefore, TSE will not ask these companies to alter their listing market. However, if they are willing to expand their business nationwide or globally, we will welcome them to the TSE market, which may generate competition to some extent.

Q: You said TSE will aim at listing 50 companies in FY2012. Out of the 50 companies, how many local companies do you plan to list on the market, excluding those in Tokyo, Nagoya, and Osaka,?

A: We don't designate specific regions when setting targets. The "local companies" described in the business plan mean that TSE hopes to promote listing of local companies regardless of their region. Many TSE-listed companies are based in Tokyo.

TSE is now trying to invite non-public companies to the First and Second Sections as well as TOKYO AIM. As I said earlier, TOKYO AIM is inviting companies to the market by cooperating with local municipalities in each region. Our role is to serve as an incubator to develop an environment where risk money is provided to such local growth companies to which banks are not willing to lend money. Of course, we need investors and preparations for it.

Q: Regarding "Determine construction/direction of next-generation arrowhead" in the business plan, what kind of system do you plan to construct? In particular, what do you plan based on the lessons from the previous system's failure? The second question is what lessons did you learn from the system malfunction as a business manager and how will you respond to system failures in the future?

A: We haven't yet finalized a report on the system failure to be submitted to the Japanese Financial Services Agency (JFSA). Therefore, our immediate task is to report to the administrative authorities and receive final approval. When I visited the US last week, some hedge funds and those conducting HFT gave high praise to arrowhead. However, they said "Unless you accelerate the speed a little bit, you will lose. The trading speed of other exchanges fall under 1 msec." I understand issues related to latency still remain.

They also requested us to prevent a delay in response at the time of order concentration. I think TSE needs to enhance the quality of the system based on this request.

However, reflecting on the system failure, we understand that the most important thing is durability itself. We have to take a balance between convenience and durability.

The ratio of HFT conducted through the Co-location Service is approaching those of Europe and the US. We understand there are various issues to be solved, but in fact, we operate the systems with careful attention.

However, as I reported to you previously, there is still a possibility of system failures. I remember two days ago even the BATS trading system in the US failed, and the company finally cancelled its listing on the market. The system was called the most superior system in the US. However, when orders rushed to some issues, the system priced those issues at "zero".

This kind of thing happens because the system is a machine. Therefore, I think the most important point lies in system of management. With this in mind, TSE will develop an adequate system of management. Last week, related parties worked on holidays and conducted tests and simulations many times. When the malfunction occurred, I remember that three to four companies worked together; employees of the system development company, related companies, and TSE. As such, the decision-making on who should make judgment at the time of a malfunction was not clear. TSE will address administration and management-related issues, specifically on developing the rules and frameworks in relation to restoring the failed systems to normal operations as soon as possible. With this system malfunction, I am fully aware that responsibility is mine in the sense that the issue lies in management rather than the system.

Therefore, the most important thing is to change the details and promptly report from the ground to the management so that they are able to make a business judgment anywhere and anytime, even in the middle of the night.

Q: I have a question related to TOKYO AIM. What is the primary reason for dissolving the partnership with LSE? You mentioned that TSE will focus on Asia from now on, but how will you focus on the region specifically?

A: As I mentioned earlier, Ms. Clara Furse, the former CEO of LSE, and I decided to start TOKYO AIM. We said let's give it a try for the next five years. Honestly, however, I didn't expect that so few companies would apply to serve as J-Nomads. In the UK, there are many Nomads, including medium-and-small sized securities companies and accounting firms. First, I expected that companies other than

securities companies would apply to become J-Nomads, but almost no one applied. It was, in fact, a little surprise to me.

As I said earlier, this function is necessary. For example, as you may know, we launched Mothers more than a decade ago to list growth companies, joint ventures, etc. However, whenever a scandal occurred with listed companies, TSE gradually set higher requirements and rules in response to opinions and criticisms of the administrative authorities and Japanese people.

If the listing criteria become stringent, submitting quarterly reports will be a burden on those who consider starting a business with approximately 10 people, developing new technologies based on research at universities, or launching a company related to physics with only a few people. Given these circumstances, we thought there was a certain role we can fulfill. As banks do not exactly know how much risk they have, it is extremely difficult to lend money to such companies. This is where a securities business comes in. Only those who understand risk money invest in the companies. If it succeeds, it could be several hundred million or hundred billion yen, otherwise zero. Under such premise, we hoped to establish that kind of market.

LSE also felt that there was a perception gap between the two exchanges. We suggested listing bonds and corporate bonds related to Asia, but LSE expressed reservations about it. As such, we decided to accommodate the market according to Japan's unique culture and sense of values. Though five years has not passed, we proposed our acquisition of TOKYO AIM to LSE when partnership dissolution came up in our discussion. We want to nurture and develop a market which has yet to be established on other exchanges.

Inviting companies in Asia is easier said than done. However, it is also difficult for Japanese companies to maintain listing on stock exchanges in Asia. For example, some Japanese companies were listed on Taiwan and Korean exchanges, but ended up being delisted. Related parties in Taiwan said these companies had to thoroughly examine market conditions before listing, but I think it is quite difficult for Japanese companies. A company listed on the Korean Exchange was also quickly delisted.

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We don't say it's okay to victimize investors. Once again, companies should disclose corporate information according to flexible rules with good will. Investors should invest in companies after being fully aware of risk through such disclosure. TSE will hope to establish a professional-oriented market which attracts such companies and investors.