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

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1. Financial Results for FY ended March 2012

The following is a breakdown of the financial results of Tokyo Stock Exchange Group, Inc. (TSE Group) for the fiscal year ended March 2012.

Stock trading volume was down 16% on a year-on-year basis, trading participation fees declined 7.8%, and income from securities settlement also fell 7.8% from the same period of the previous year.

In the previous year, despite the IPO of The Dai-ichi Life Insurance Company and other large-scale capital increases, due to the recoil which followed, the amount raised in capital increases fell by 68.9% and listing fees were down 25.7% from the previous year. Income from information services remained at about the same level.

As a result, operating revenue fell 7.1% to JPY 53.0 billion on a year-on-year basis. Meanwhile, with respect to operating expenses, system maintenance and operating costs were down 8.3% due to reviews of system maintenance and other cost cutting measures. However, depreciation costs rose sharply by 5.2% as the useful life of the previous futures trading system was shortened in relation with the launch of Tdex+ System in November 2011. Real estate rental fees were down 6.9% due to lower rent for the TSE building. Therefore, overall operating expenses were slightly up 0.9% to JPY 43.8 billion.

Therefore, operating profit fell by 32.6% to JPY 9.1 billion from the same period of the

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previous year. With ordinary profit adjusted with dividend from Singapore Exchange, etc. down 28.7% to JPY 10.9 billion, net income for the year after taxes was down 28.9 % to JPY 6.3 billion from the previous year.

2. Nomination of Candidates for New Executive Officers

Next, I would like to report on the selection of candidates for new executive officers and board members of TSE Group.

The term for directors is one year, and both new and reselected directors are selected at the general shareholders meeting in June every year. We have fourteen candidates in total this year and all of them have been reselected.

Mr. Paul Kuo, one of the current board members, is scheduled to resign after the general shareholders meeting in June 2012.

The term for executive officers is one year, the same as the directors. New executive officers will be selected at the board of directors meeting to be held after the general shareholders meeting in June. Out of seven candidates in total, Mr. Iwanaga has been newly selected and other six have been reselected as executive officers. Mr. Iwanaga is already serving as an executive officer of Tokyo Stock Exchange, Inc. (TSE), the market operating company of TSE Group. As such, he will concurrently serve as an executive officer at TSE Group and TSE.

Next, I would like to report on the selection of candidates for new directors and executive officers of TSE.

The term for directors is one year. We have nine candidates in total and all of them have been reselected.

With respect to executive officers, all of the ten candidates have been reselected.

3. Increase in Analyst Coverage Ratio for Mothers-listed Companies

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TSE Group relaxed the listing examination criteria and streamlined listing procedures in March 2011 to invigorate the Mothers market. In addition, TSE Group established the New Listings Department which is in charge of promoting IPOs in April 2011. As a result of its vigorous promotional activities in Japan and overseas, the number of IPOs on Mothers in FY2011 nearly tripled to 14, compared with 5 in FY2010.

While TSE Group has been working to promote listing on Mothers, but there was the issue that investors were hardly able to obtain information on attractive companies listed on the market due to its lower analyst coverage ratio. Focusing on this point, TSE Group is making efforts to increase analyst coverage ratio for Mothers-listed companies with a view to enriching investment information on the market.

As of May 2011, the ratio was 23%, but we hope to increase it to that of the TSE First Section, approximately 50%. With the aim of providing analyst reports from a neutral viewpoint, we co-sponsored "The Stock Research Center" which was established in June 2011. This center publishes analyst reports mainly on Mothers-listed companies. TSE Group has continued support for increasing the coverage ratio in corporation with academics as well.

Due to the efforts and corporation of related parties, the coverage ratio of Mothers-listed companies has risen to approximately 48%. We expect that the ratio will have increased to 50%, the same level as the TSE First Section, by the end of the next month when the center commemorates the first anniversary.

In addition to information from listed companies through timely disclosure and IR, if analytical information from third parties is more accessible to individual investors, this will allow them to start investment in Mothers-listed companies. Theoretically, providing and analyzing information from an objective standpoint would reduce investment risk. Theoretical stock prices are derived by dividing cash flow by investment risk. If such risk decreases, stock prices are well received by investors. Additionally, we can prevent investors from being hesitant about investment in Mothers-listed companies due to not being able to assess the amount of risk due to lack

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of information.

In fact, many Mothers-listed companies subject to analyst coverage this time highly praised our efforts, saying "It raised our corporate profile" and "We use the analyst coverage in our IR activities". In addition, some companies said it had attracted new investment from institutional investors. Preparing such reports may require patient effort, but we believe it is very important.

Published analyst reports are posted on "IFIS Kabu Yoho" (IFIS Stock Forecast) in Yahoo! JAPAN Finance (in Japanese only). We hope that many investors will visit the site.

In FY2012, we will also work to expand the analyst coverage ratio for small and medium sized companies listed on the main sections, especially the TSE Second Section. As investors are scarcely able to access reliable information from sources other than analyst reports, TSE will cover a wide range of listed companies as possible.

TSE launched the Company Announcements Distribution Service in English for foreign investors in July 2011 and approximately 150 companies, mainly those listed on the TSE First Section, use this service. Analyst reports have been provided for companies listed on the TSE First Section, but were mostly in Japanese. In addition, TSE takes measures to spread and promote management aiming at enhancing corporate value, as well as allow a wide range of domestic and overseas investors to learn about companies carrying out such management. As part of its efforts, TSE established the listed company awards which evaluate ROE and other management indicators, in order to expand opportunities for investors to obtain information on TSE-listed companies.

TSE Group hopes to invigorate the overall Japanese stock market by raising the profile of listed companies and encouraging the willingness to invest.

4. First Bond Listed on Tokyo PRO-BOND Market

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Lastly, I touch upon the first bond listed on Tokyo PRO-BOND Market. As it was already reported, ING Bank N.V. of the Netherlands (ING Bank) listed its bond on TOKYO PRO-BOND Market. It is the first company to list bonds on the market.

The company's program listing was first approved on March 30, 2012, allowing it to issue bonds with a total maximum value of JPY 200 billion. Under this program, ING Bank will issue bonds in response to financing needs within such maximum value. On April 17, 2012, the company issued a first 50.7 billion yen individual bond based on the program listing. Initially, ING Bank expected to issue an approximately JPY 30 billion individual bond. However, as it got a better response from investors, the company, as a result, issued a 50.7 billion yen bond. The issuer was very much pleased with it, saying that the Japanese bond market may be better than those in Europe and other regions.

Given the huge amount of personal financial assets and quite low interest rates in Japan, professional investors would be willing enough to purchase bonds if the issuer has a sound financial foundation. We heard that other issuers hope to list bonds on the market. In this sense, the listing of ING Bank means a lot to TSE Group.

We established TOKYO PRO BOND Market with the aim of making TSE Group a financial hub in Asia. Hong Kong, Shanghai, and other Asian exchanges are desperate to take the lead of the corporate bond market. In Japan, there have been OTC markets for corporate bonds, but not a listing bond market for professional investors. In fact, most Japanese companies listed their corporate bonds on European markets such as the Netherlands and Belgium.

They issued and listed bonds on European markets, paying high legal and accounting costs, and Japanese life insurance companies purchased such bonds. TSE Group created the market with the intent of bringing such listings to Japan and establishing ourselves as an Asian financial hub.

We hope that the market will attract attention from many companies and related parties.

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This time, Barclays Capital Japan Limited was the main lead underwriter, and Nomura Securities Co., Ltd., SMBC Nikko Securities Inc. and other leading Japanese securities companies served as a co-lead manager. With their collaboration, the bond was issued and listed on the market smoothly.

TSE Group will re-brand TOKYO AIM, the equity market, as TOKYO PRO Market. However, the market will maintain the same rules as TOKYO AIM and allow listed companies to simplify disclosure documents

MTNs (medium-term notes) are listed on European markets. These MTNs are issued, for example, when automobile companies extend loans to customers who purchase a car through installments. As such, the scale of MTNs issued by automobile companies is quite large in the world.

Japanese automobile companies have already listed such bonds on European markets. Therefore, it would require a complicated process to get them back to Japan. However, we believe that they would greatly benefit from issuing bonds on our market because relevant costs are much lower than European markets.

TOKYO PRO-BOND Market is a professional-oriented market where rules are significantly relaxed. For example, such rules allow disclosure in English or Japanese, as well as Japanese accounting standards, US accounting standards, IFRS and other accounting standards.

I won't elaborate on these rules at this press conference, but exchanges face severe competition related to deregulation across the globe. The President of the US signed the JOBS Act the other day. This act aims to encourage IPOs by substantially relaxing regulations regarding listing of medium and small-sized companies with relatively small amount of sales.

In this sense, TOKYO AIM was a pioneering market in Japan. Governments in Hong Kong and the US are moving to deregulate financial markets significantly and list

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small-sized companies to invigorate the markets. In fact, we were ahead by one or two years, and perhaps if we go too far, we could not win understanding from market related parties. However, we expect the market will grow in the future and attract more attention from market related parties.

Q&A

Q: I have two questions. The first question is related to the financial results for the fiscal year ended March 2012. TSE Group took various market promotional measures at the beginning of the fiscal year, such as establishing the Market and Promotion Unit and encouraging ETF listings. Last year, the market was disrupted frequently due to the Great East Japan Earthquake, the European debt crisis, and flooding in Thailand. Could you comment briefly on appealing points as well as items to be improved in the financial results?

The Securities and Exchange Surveillance Commission has recently been working toward the elimination of unfair trading including the case involving a trust bank last March and a major securities company which received a business improvement order this time. In response to the incident, the US and European media and overseas institutional investors pointed out that the Japanese market or listed companies themselves have deficiencies in compliance or lack transparency in business systems or practices. Do you have any comment about this? Is there anything TSE can do or improve?

A: As you pointed out, TSE Group recorded a fall in both income and profit in the previous fiscal year. While this was largely unavoidable, at the same time, I feel the result was regrettable. However, the environment surrounding the market was very severe last year. Particularly after the earthquake, with the issue of power shortages and disrupted supply chains, many companies were not in the mood to seek new listings or capital increases, and market liquidity lowered extremely.

The trading value sometimes fell to JPY 800 billion in the third quarter. As a result, the figures were a little worse than expected, but I am not pessimistic about the future outlook. The financial conditions of Japanese financial institutions are more stable and the levels of monetary wealth are higher than those in foreign countries.

However, there is a big problem. As private-sector funds don't circulate well to revive the economy, some companies have no choice but to depend on the government as the last resort. Particularly in Europe, governments are directly involved in credit risk. Although a large amount of public funds are injected into the market, they don't pump-prime the economy. As a result, these governments cannot collect such funds. If this happens repeatedly, I think it will pose a serious problem to the global economy.

While I am optimistic about the Japanese economy, I am concerned about excessive financial regulations in other countries. For example, the EU and India said they will impose financial trading taxes on both domestic and overseas transactions. Since these countries face financial difficulties, they are moving forward to collect taxes from as many financial transactions as possible. I am a bit concerned about this move.

Generally, it is said that Japan will grow by 2% in terms of GDP this fiscal year. In addition, the Japanese government plans nearly JPY 10 trillion yen as reconstruction budgets. I think JPY 10 trillion is a large sum of money and it will have a positive impact on the market. Actually, looking at account settlements of TSE-listed companies, many of them recorded an increase in profits. In this fiscal year as well, quite a number of listed companies will likely increase profits.

There have been days when the market was sluggish with daily trading values less than JPY 1 trillion. The major reason may be, as elections are scheduled in many countries around the world this year, each party raises restrictions against financial institutions as its campaign policy. When the elections are over, I believe stock prices will rise to some extent. Currently, French President Nicolas Sarkozy is struggling in the presidential election. Market-related parties would worry about

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how policies change if François Hollande wins the election. In any case, the market will be stabilized when the election ends.

As for your second question, insider trading is an unfair and completely criminal act. When you play baseball, soccer or whatever, you have a referee who issues yellow or red cards to maintain fair play during the game. There may be foul plays everywhere, but in Japan's case, they occur more frequently.

Besides, investors, securities companies, and financial institutions have the responsibility to play fairly. It is important for them to pursue profits, but at the same time, they are required to play the role of a referee which maintains a fair market. Not only are government offices and TSE charged with the role of referees, but each related party should serve as a referee. Initially, these are self-regulatory rules and it is highly regrettable if some people don't comply with such rules.

CSRC in China and Hong Kong administrative offices are also very serious about regulating insider trading by imposing heavy penalties. However, in Japan, punitive actions related to insider trading are too lenient and I think this poses a problem to the financial industry. I believe people should understand that insider trading is a major violation. Market-related parties and legal experts should recognize again that such acts, taking in others to pursue one's own interest, are illegal behavior which destroys trust in the market. We should take a tough stance against insider trading.

In cooperation with Japan Securities Dealers Association, TSE Group will do whatever it can through self regulations, but, as we do not have a legal right to investigate, I hope that legal parties will regulate insider trading with more stringent penalties.

Q: Thank you very much.

Q: I have two questions. The other day, TSE Group announced an MOU with Central Bank of Myanmar pertaining to support for establishing a securities exchange.

Could you elaborate on your efforts for the future development of a securities exchange in the country?

The other question is related to the considerable growth of PTSs. The trading value exceeded JPY 15 trillion in the previous fiscal year and PTSs are currently increasing their presence in the market. What is your thought on this trend? What measures do you think necessary for TSE to compete with PTSs, including the review of trading rules and systems?

A: Since Myanmar has closed its market to the outside, the economy is significantly lagging behind other countries. However, Myanmar is a country in which Japan used to invest tremendously. We can see many facilities of Japanese companies remaining in the country. Before the US imposed sanction against Myanmar, it was one of the largest aid recipients of Japan. For these reasons, many people in Myanmar feel strong affinity toward Japan.

If the government revives democracy, I believe it is important for Japan to build a strong relationship with such country for geopolitical reasons and in light of a balance with India and China.

In addition, the country has a population of 60 million. Compared with Laos and Cambodia, it is a major power, and people are diligent and skilled. If Japan invests in the country tremendously, I believe that it will turn out good for Japan.

As such, many manufacturers and trading companies are rushing to the country, but it may be the Japanese government that is rushing most. In light of this situation, we will support the government for the establishment of the securities exchange by 2015 in cooperation with Daiwa Institute of Research Ltd. which has been working in the country for a long time.

I met the president of Myanmar the other day. He said that he has heard about a securities exchange since he was a child, but he doesn't know exactly what it is like.

Therefore, he was very eager to understand the system. In fact, his daughter is studying economics at university, but there is no place to work in the country where she can use her knowledge of economics. He said that she is willing to work at the securities exchange when it is completed.

First, we plan to support human resource development and the introduction of a securities trading act and other acts which have already been assisted by Policy Research Institute of the Finance Ministry of Japan. Finally, we will provide system-related support from a long-term viewpoint.

Many Korean companies are now entering markets in South East Asia. Japan is left behind in the area, as well. In fact, Korea and China are proactively approaching Myanmar, but fortunately, the government requested Japan to provide support. It means a lot to us. We will do as much as we can while we have to consider restrictions related to budget as a private company.

As for PTSs, as I said previously, its presence is admitted globally and I think it natural that PTSs increase their share to some extent. Therefore, we cannot only say that PTSs are not favorable for TSE. However, I don't think that they are playing on a level playing field. They do not conduct listing examinations or employ many people to supervise transactions. Which is the theoretically fair or best price for investors, the price discovered in the TSE market or PTSs?

It is like the chicken or the egg causality dilemma, but most PTSs, in Japan and Europe as well, scarcely turn a profit. Many talked about Chi-X in Europe which once increased its share dramatically, but it ended up selling its shares to BATS because of a fall in profits.

Their managers are brokerage companies. In a way, they are our clients and these brokers establish their own securities exchanges. However, all of them do not always have shareholders who demand to maximize profits or make a solid profit. This means as long as each manager turns a profit, they don't care about profits of the exchange itself.

Actually, Chi-X sold its shares to its clients. As a result, it turned out that shares held by Goldman Sachs and other clients exceeded those possessed by Chi-X.

Another PTS, Turquoise, was acquired and is currently operated by LSE. However, it is still open to question in terms of fairness. I don't object to the operation of PTSs themselves and it is good for TSE to have competitors, but I believe the capital market should be fair.

Trading should be conducted in a market where similar theoretical costs are generated as well as transparency and other rules are respected by trading participants and investors. Otherwise, society pays for it at some point as we can see in events like the Lehman Shock. Once again, I don't say PTSs are to blame for it. It's all right with me if they play fairly on a level playing field.

Q: I have one more question. Due to small tick sizes, etc., PTSs are highly appreciated mainly by overseas institutional investors. In response to this, is TSE contemplating any measures?

A: Small tick sizes are nothing more than one of characteristics of all trading venues. So, some may say "It would be better that TSE will reduce tick sizes." But for investors who place orders of 1,000, 2,000 or 10,000 shares, small tick sizes only make handling of transactions cumbersome or complicated. But for investors whose order sizes are 1 million, 2 million or 10 million shares, smaller tick sizes will be favorable. However, we, TSE, have to provide equally fair services to both types of investors. We should not satisfy only major customers such as large-sized securities companies.

Some PTSs are focusing their effort on this aspect, and competing with other trading venues by reducing tick sizes. If smaller tick sizes become main stream, we may reduce tick sizes to some extent in response to such trend.

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However, we need to look at this issue also by taking into account dark pools, etc. In overseas dark pools, if orders are placed and matched, transactions are completed. But our country's laws and regulations require dark pool transactions to be finalized by off-auction trading at the exchange (ToSTNeT) in order to ensure transparency. Under these circumstances, off-auction (ToSTNeT) trading volume has been recently increasing to some extent. So, rather than seeing PTSs, dark pools, etc. as an issue in question, it will be better to proactively discuss (off-exchange trading venues) together with related parties. We won't take an exclusive stance on tick sizes.

Q: A large number of securities companies happen to have announced their financial results today. Both major and medium sized securities companies are expected to report a severe downturn in earnings. I would like to ask you about what securities companies should do to improve their business performance.

Securities companies are facing difficulties not only in Japan but also overseas. Due to regulations such as the Volcker Rule, current business models of securities companies may not work. Some say the Dodd-Frank Act will come into effect later than originally scheduled. In any event, most companies have generated profits through various forms of participation using proprietary accounts.

Using a proprietary account makes a large difference in terms of profit ratio. Compared to the face-to-face or retail business of securities companies or the simple loan business of banks, holding proprietary positions enables securities companies to adopt different business models. Securities companies make profits by holding proprietary positions and using spreads. In this process, they hedge risk in the market to neutralize their positions. If this business model is not allowed, the business of investment banks may return to their original state.

In other words, securities companies will firmly retain customers and engage in M&As, financing, investment advisory services, and retail business. These are their original businesses. In this sense, the business models of securities companies will return to the original ones.

When we compare amounts of profits that securities companies earned in their original businesses, securities companies did not earn as much as they currently do. However, they conducted a considerable amount of proprietary trading using fixed spreads.

Without proprietary trading, a profit of a few hundreds of billions of yen will be quite a success. If so, a considerably efficient management, such as "selection and concentration," is required. When looking at Japanese securities companies, I feel that they are not organized in a cross-section basis. I often use a word, so-called "silo." They are organized in a vertically divided manner, and this is making waste of capital.

It may not be good to call it authoritarian management, but essentially a management strategy body should decisively clarify the way of business of the company and the business model it adopts. Such clarification must indicate what the company will specifically do for business companies, investors, the nation, and customers. To achieve these goals, I think, we need a business model where operational know-how, funds, and personnel resources will be invested at once.

The management based on modulation style where products are created by combining individual parts was extremely efficient at one time, but I think the era of such management style has ended. I may be wrong, but this is my personal view.

Q: TOPIX has lowered to around 800 points and the NIKKEI Average to around 9,500.

It seems that both trading volume and value grow at a sluggish pace.

Could you give us your thoughts on the reasons and the future outlook?

A: I think there are a couple of reasons. For example, in the near future, it is reported that the industrial production index will rise slightly. However, there is concern about whether such rise will continue. I think it will continue this year, but I am not sure about next year because we cannot clearly see the government's policy.

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I don't worry much about Japanese companies, especially manufacturers, as they have policies to make profit overseas. The growth rate of China, one of their target countries, is expected to decline to less than 8% or 7.5% in the future.

However, given the fact that China's GDP is almost the same as that of Japan, it means that the country's economy will grow by JPY 30 or 40 trillion every year despite its declining growth rate. I think this is amazing.

Many people are too pessimistic about China. The growth of the coastal regions is losing its momentum, but the inland areas still continue to grow significantly. As the media reported today, a disparity between the coastal regions and inland areas is narrowing. As such, we don't have to worry or be too pessimistic about China from a long term perspective.

However, as I mentioned earlier, it was reported that French President Nicolas Sarkozy will lose in the upcoming presidential election. The EU is being stabilized in cooperation between France and Germany with the injection of EUR 500 billion plus funds from the IMF to create a safety net. However, if the administration changes, I am concerned that it could refuel the debt crisis.

It would require tens of billions of euro to rescue Greece, but if Spain and Italy are included, it will need hundreds of billions of euro. If this actually happens, even EUR 500 billions would not be enough. However, Italy's primary balance is currently in the black. Although strikes often take place in Italy, the government is trying to suppress them to rebuild public finance. In this sense, the Italian government has laid out financial policies more decisively than Japan. Even if something happens in Greece, the effects would be limited. Therefore, I don't think we have to worry about the EU too much.

However, it could easily have a negative impact on financial markets. When stock prices rise a little bit, some investors try to sell stocks immediately. I think we need more momentum to boost the market.

If the future outlooks on China and the US become clearer, I believe it will change

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the environment surrounding markets because both countries are not so bad in economic terms. Personally, I think there may be comparatively good news in the US from the middle of the year to the end of the year when the presidential election is in full swing. It's just my own personal view, but I am not too pessimistic about the future outlook.