(Reference Translation)

Notes of Media Briefing by Mr. Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc. on May 15, 2012

1. JOBS Act
2. TSE's efforts to revitalize the Japanese stock market

1. JOBS Act

As we had Golden Week holidays earlier this month, the previous media briefing at the end of April is rather recent and there are no particular items to report today. Instead, I would like to talk about the JOBS Act (Jumpstart Our Business Startups Act) which was enacted in the US on April 5, 2012 to support start-ups. It is said that the name of the act comes from “jobs” or “Steve Jobs”. Since the content of the act left a great impression, I would like to talk about it briefly and share my views.

The JOBS Act is aimed at revitalizing the economy and creating more jobs by promoting new businesses and innovation with extensive easing of securities-related regulations related to fundraising conducted by start-ups at the time of IPO or before listing.

When we talk about the US economy, we tend to focus on the central bank's interest rate policy. However, from my experience of staying in the US for 10 years, the government always implements drastic reforms in an economic slowdown. I would like to emphasize that we should not overlook this and suggest that the Japanese government and politicians learn from the US. This is why I want to talk about this act today.

As you may know, the US economy has been sluggish since the Lehman Shock. It is recovering at a slow pace with the unemployment rate around 8%. The figure seems to have gone down slightly as some jobseekers gave up looking for jobs, but it is pointed out that the rate would be much higher if they were properly considered in calculations.

The US recorded approximately 800 IPOs in 1996. I am surprised to hear that the

number of IPOs in China is currently 300 to 400, but more companies, mainly IT-related companies, conducted IPOs in the US at that time. Once the IT bubble burst, however, the US experienced an economic downturn. In the 2000's, the annual number of IPOs gradually fell to around 160. Immediately after the Lehman Shock in 2008, this fell to around 50. At present, it has recovered slightly to approximately 140. It is an enviable situation compared to Japan's. The US government promotes IPOs of start-ups as a national or economic strategy. This creates new demand and a new labor market to drive the economy. This is one of the clear-cut business models or policy models of the US.

Though the Congress is strongly polarized between the Democrats and Republicans ahead of this year's presidential election, it immediately passed the JOBS Act with slight amendments. Garnering support from both the Senate and the House of Representatives, the Act was signed into law by President Obama on April 5, 2012.

The most notable aspect of the JOBS Act is the definition of start-ups. I will not elaborate, but it defines them as businesses with annual sales of USD 1 billion or less. The JOBS Act eases the rules for such businesses. The clear-cut definition makes it easy to apply the rule to companies. This is very American.

The Wall Street Journal reported that, if it were applied to companies which conducted IPOs in 2011, approximately 90% of them would have come under the Act. As companies with the annual turnover of USD 1 billion are expected to be newly listed this year as well, the act will apply to almost all companies conducting IPOs.

The most important point is that disclosure regulations are relaxed for a specific period at or after an IPO. Even at IPO, start-ups are exempt from very strict disclosure rules required by the SEC. In addition, they are also partially exempt from regulations and obligations prescribed in the Dodd-Frank Wall Street Reform and Consumer Protection Act and the SOX Act. These exemptions are, simply, to reduce labor and costs related to IPOs. This is again very clear.

While easing disclosure regulations, they lifted a ban on the issuance of analyst reports by underwriting securities companies during IPOs. By increasing analyst reports on

start-ups, care is also being taken to create an environment which facilitates investment. This means that many reports can be released on start-ups or IPO companies.

Last month, I explained TSE's efforts for increasing the number of analyst reports on Mothers-listed companies. We did not know that the JOBS Act would be enacted at that time. Our approaches are different, but I strongly feel that both are based on the same view.

In the history of the US and Europe, they did not shrink back in times of economic hardship, but repeatedly took pragmatic measures to pull out of it. This is something we must learn from them.

Pre-IPO start-ups and even emerging companies not looking to go public are required to register themselves with the SEC according to a criterion on the number of shareholders. This criterion was also relaxed. Additionally, the regulation on the fundraising amount by unlisted large companies requiring simplified SEC registration was also relaxed, allowing them to raise greater amounts.

Companies currently use a "crowd-funding" system which allows small amount of funds to be raised from the public via the Internet or SNS. However, funds are collected in a form of contributions or advance subscriptions. The recent deregulation also clearly specifies that it allows companies to raise funds using securities.

If we look at fundraising that is less than a certain amount, this would be equal to a relaxation in securities rules almost amounting to exemption from SEC registration. This even allows crowd-funding. This is amazing.

Investment in companies in their early stages was limited to angels such as venture funds and some parts of the affluent population. If the "crowd-funding" system functions properly, then there will be an increasing number of individuals who directly participate in such system.

As this was quite radical, some expressed concerns that this kind of regulatory easing

goes against investor protection. The Act was slightly amended in the course of discussions by the Senate and others, but was enacted in the end. The SEC remains slightly worried, but even the SEC should follow the Act passed in Congress. The Act is an order to the SEC to relax stringent regulations that were being imposed on companies. Since this is law, the SEC will have to respond with some measures and I believe they will proceed with caution.

We are also concerned about investor protection. However, it is clear that revitalizing the economy by creating new business should pragmatically come first, regardless of whether it is the Obama administration.

In a sense, this shows steadfast confidence in the roles of the market and private sector over those of the government. In other words, the US believes that it is best to leave effective fund allocation to an appropriately regulated private sector, not state authority.

Based on a similar idea, I established TOKYO AIM, a professional-oriented market, three years ago. We only have two listed companies so far, but I think our approach is not very far off the mark. In Japan, start-ups are not supported like in the US, but I believe we should create a society where young people can develop new technologies to start businesses to which investors and wealthy people supply risk money. Only when such a society is built, a country will recover its vibrancy and affluence.

Japan has a large amount of funds, perhaps the most in the world. Household financial assets amount to JPY 1,400 trillion. In addition, Japan has the net assets of JPY 226 trillion overseas. If we put this together, Japan is a very rich nation, but it is in a 20-year economic slump. This is because Japan has a system which does not allow funds to flow into growing industries, hindering the efficient flow of funds.

Whenever Japan faces fiscal hardship, the government should effectively use private funds with regulatory easing. It should adopt a core strategy for future growth of further enhancing systems and reviewing business practices. This is what I realize when I look at developments in the US.

2. TSE's efforts to revitalize the Japanese stock market

Next, I would like to briefly explain TSE's efforts to revitalize the Japanese stock market, a core strategy of our business plan for this fiscal year.

TSE established a dedicated website on May 8, 2012 for individual investors and publicized the content of our activities. From the perspective of finding new investors, TSE plans to hold seminars related to the purpose of securities investment and recent economic trends for those with less investment experience. These seminars will be held more than 70 times in 40 cities in Japan until next spring. TSE will invite investment managers to provide lectures for individual investors. We hope that these seminars will make individuals aware of and motivated to invest in securities. There are too few individual investors participating in the market in Japan. As such, TSE will proactively conduct these activities with a sense of urgency to increase the number of individual investors.

For domestic institutional investors, we have visited 80 or more regional financial institutions since last year to encourage them to use ETFs. We facilitate understanding and correct misconceptions regarding ETF trading by explaining its mechanism of liquidity supply that is different from stocks, such as creation and redemption in the primary market, and technical aspects in accounting. Our efforts are gradually showing results. Some regional financial institutions said that they have included ETFs in their investment portfolios.

ETF trading is extremely vibrant overseas, particularly in the US. They are so popular that trading volume exceeds that of cash equities. Institutional investors also use ETFs. As institutional investors in Japan do not frequently trade ETFs like foreign institutional investors, we are encouraging investment in ETFs to narrow the gap between TSE and overseas markets. TSE will form a caravan to demonstrate the appeal of Japanese stocks and J-REITs to overseas institutional investors and financial centers in the US, Europe and Asia. Next month, Mr. Kiyoyuki Tsuchimoto, Senior Executive Officer of our Marketing and Promotion Unit, is scheduled to visit a dozen or more major institutional

investors such as pension funds and investment advisors in New York and Boston.

As part of our efforts to encourage IPOs, TSE plans to hold IPO seminars for working-level staff in four cities, Tokyo, Osaka, Nagoya, and Fukuoka from the end of May to June. We will also explain the listing examination criteria and listing procedures which were relaxed in March 2012. Our staff members responsible for listing examinations will give lectures on points of examinations based on actual cases.

In summer, on July 13 and 14, TSE and Tokyo Kabushiki Konwa-kai (Tokyo Stock Association) will co-sponsor a meeting in Iwaki city in quake-afflicted Fukushima prefecture. I heard that quite a number of listed companies have already expressed their interest in the meeting. This is TSE's first attempt at holding such a large-scale event. Correspondence with listed companies is usually by phone, but this opportunity will let us build a face-to-face relationship with listed companies as well as deepen awareness of the capital market and understanding of disclosure.

Recently, the market has continued to remain weak. TSE will make an all-out effort to implement measures to revitalize the Japanese stock market in the medium to long-term.

Q&A

Q: I have two questions. You mentioned the issues of the Japanese capital market and measures to revitalize it. Today, the stock prices again fell slightly and I have the impression that the stock prices have returned to those before March 2012. How do you perceive the current situation and what is your outlook on the market?

Also, TEPCO announced an increase in electricity rates and we need to save energy this summer. What do you think about an increase in electricity rates and will TSE take any power-saving measures? Do you have any countermeasures and backup systems for when power supply is tight?

A: Regarding the current market situation, this may surprise you, but in a word, I think

that seeds of a big economic recovery are being planted. As I mentioned before, falling stock prices are triggered by the European debt crisis. Investors may think that Greece will or has to leave the eurozone. People haven't thought about its withdrawal, but now it might just happen. When Greece actually falls into such a situation, the impact on Italy and particularly Spain will be bigger than expected. The prospect of this caused fear in the market, pushing up the Spanish interest rate and depressing the German interest rate. European stock markets responded to this, influencing the US markets, and today, the Tokyo market.

As you all know, many people are concerned that the Greek bailout won't work as people will oppose stringent bailout terms in the elections. Actually, Greek people have already accepted very tough conditions. They accepted cutting EUR 300 billion or approximately JPY 30 trillion in government spending. Looking at the size of Greece, this will be quite large. In the worst case, Greece might leave the EU out of desperation. Of course, Greece does not say things like that and the party leaders also said this morning that Greece will remain in the EU at all costs. It will be best for Greece to stay in the EU. If it withdraws from the EU, I am not sure if it will return to the drachma, but, in any case, it would be devalued significantly. If this happens, inflation will rocket and Greece will become a country that is left with nothing, not even competitiveness.

Someone joked, "How about holding the Olympic Games in Greece?" I think this is a good idea. Greece would then not be suited to manufacturing, but to fishery and tourism. As its industrial scale is comparatively small, I think European countries, particularly Germany, should lend a helping hand. However, some people may be wondering why they should inject money in a country which lacks self-discipline. This kind of sentiment occurs between countries and between individuals, and it is happening now.

In addition, Basel III and the Volcker Rules were prepared. They will come into effect after a two-year grace period. I remain skeptical on this, but a financial trades tax may be introduced mainly in Europe. My impression is that European financial policies focus on retrenchment, saving money. These tightening of regulations have

quite an impact on the market.

Chancellor Merkel's CDU (Christlich Demokratische Union) suffered a crushing defeat in the election. Will the CDU be able to sustain itself from now on? The SPD (Sozialdemokratische Partei Deutschlands) aims to put the economy back on a path to growth. The SPD said that if the country only focuses on retrenchment, the German economy will also slow down. In France, the former president proceeded with correcting its finances and retrenchment in cooperation with Chancellor Merkel, but he also lost in the recent presidential election. Instead, Mr. Hollande took office, saying France is getting tired of these measures and yearns for economic growth. After Mr. Hollande won, many investors may have sold stocks as they think the retrenchment policies will be withdrawn. However, Mr. Holland did not say that France doesn't need to rebuild its finances. Rather, he said that he will or must do it and clearly stated yesterday that he would keep his promise. However, he also said that it takes one or two years and there is no need to rush in. On the other hand, there are also moves to boost companies to generate growth.

I said earlier that the seeds of a big economic recovery are being planted. Some European countries are tired of austerity measures and yearning for economic growth. This is also occurring in the US. Short-term investors may think about selling their stocks because they think austerity measures and rebuilding finances are important but see some countries opposing it. However, once these people see economic growth, I think they will start buying.

Should a government take a path toward growth or be prudent and adopt austerity measures? This theme has been seen repeatedly in history. People throughout the world hope to sustain their lives with government money as much as possible, not with their own money. If the country is rich, it would be possible, but if tax revenues fall and no economic growth is achieved, it will end up issuing government bonds to win elections. When the amount of government bonds accumulates, people will start talking about rebuilding finances, saying they have to increase taxes or reduce excesses. Then, they will experience a downturn in consumption because reducing excesses means cutting back on spending. Increasing taxes will also reduce corporate

profits. Revenues may increase temporarily, but I don't think it is sustainable for a country to repeat these measures.

As such, I believe Chancellor Merkel will change her policies. Germany heavily depends on export for economic growth while it implements austerity measures. In this case, if the economy for its exports has no capacity for imports, this policy will not work. In this sense, I believe Germany will resolve this issue on its own in the future.

As you have already reported, Japan has budgeted at least JPY 10 trillion for reconstruction. In fact, double-digit growth in ordinary profit shows the Japanese corporate performance is better than those of any other country. Although there are unstable factors such as currency movement, many Japanese companies are willing to take advantage of the strong yen and conduct activities such as M&As.

If the yen falls to 110 yen, I think the interest rate will go up and Japan will face a crisis. Of course, I don't think the 70 yen level is good. Japan is currently suffering from the yen's strength, but in the long term, we do not need to be too pessimistic about the outlook over the long-term.

We have seen net selling by foreign investors since last week. However, due to the European debt crisis and regulations, especially JP Morgan’s huge loss, I think hedge funds and other institutional investors will now wait to see what restrictions the government will implement and how it will enhance market supervision, and thus they have withdrawn temporarily. Therefore, I am not too pessimistic about the market.

The power issue is a complex subject. If TEPCO suspends nuclear power plants and imports fuel for thermal power generation, the additional annual cost will be JPY 3 trillion. The company said it will try hard, but it announced it will raise corporate electricity rates by 16%. Today, some parts of the media reported that it would be nearly 20%. The company will also increase household electricity rates by 10%. If this actually happens, Japan will become a country which does not spend.

Ultimately, I think TEPCO will raise electricity rates, but I think it is really reckless. TEPCO should not raise electricity rates to gather funds. Two things can be done to prevent this. First, TEPCO should work together with the other eight power companies in Japan to make frantic efforts to cut costs. We might also have to accept the suspension of nuclear power plants in the beginning. The other thing is that we should cut power consumption. Reducing electricity consumption won't significantly affect our spending as a whole, but if electricity rates are up by 10%, we probably won’t be spending.

I believe TEPCO should thoroughly cut costs and save power to prevent a hike in electricity rates. Otherwise, the Japanese economy will shrink considerably. More factories will be relocated overseas, and the unemployment rate will go up. Under these circumstances, the government and related parties should take measures based on analyses of the input-output table.

TSE Group will significantly save energy in the same way as last year. Since we have an in-house power generation unit for the systems, we can somehow manage on our own. We also have a rule to suspend trading if trading participants cannot trade due to power shortages and they account for more than 20% of the overall trading value. However, we will do whatever we can and talk with various parties in advance to avoid such a situation.

Currently only half of the elevators are in operation in the TSE building. We turn off lighting as far as possible and set air conditioning to 28 degrees Celsius. If it is necessary, then we will also turn the lights off in TSE Arrows this year. I think we should at least take these measures to save power.

TEPCO might have already considered these in their decision on the electricity rate hike, but I hope they do not to raise it. Otherwise, it would deal a blow to the Japanese economy. With a 16% hike in power costs, Japanese companies will find it even harder to overcome global competition. TEPCO should also consider taking advantage of the strong yen to import cheaper fuel from foreign countries. For

example, as Korea concluded an FTA with the US, it is able to import cheaper oil from the US. Japan cannot do that because it doesn't have such an agreement with the US. We cannot help but import oil from Bahrain and other Middle Eastern countries based on their prices.

Japan opposes concluding FTA or TPP or anything with other countries. On the other hand, it approves an electricity rate hike and suspension of nuclear power plants. I think this stance is full of inconsistencies. As a result, the government is gradually making Japan into a country where spending and income will not increase, and factories will not operate. I want to ask the media to appeal to the government to take truly positive measures. Korea is taking various measures to return to economic growth. In terms of FTAs or relations among Japan, China and Korea, we are one or two steps behind the other two. If TEPCO increases electricity rates by 16% for companies and 10% for households, it will only sink this country.

Q: You mentioned the exchange rate earlier and the monetary policy meeting will be held at the BOJ next week. In the previous meeting, they decided to continue quantitative easing, but stock prices remain in a slump. Is there anything you can expect from the next monetary policy meeting?

A: As it may be a sensitive issue, it may be better to decline to comment on the matter. However, I mentioned several months ago that the government should take some measures when the yen rises to less than 90 yen. It invited criticism from some parties, though. The US government conducted QE1 and QE2, and the media is reporting that it may implement QE3 in the near future. In a word, I think it is nothing but currency intervention by the government. The US government desperately tried to weaken the dollar and enacted the JOBS Act mentioned earlier. In the 1st quarter, its GDP rose by 1.4%. Approximately 50% of such rise is attributable to an increase in exports. In this way, the US is using the weak dollar to drive exports.

The media is reporting one after another that the Chinese market is in a substantially bad shape. Some media reported today that the GDP announced by the Chinese

government was not correct, and its growth rate may actually be around 5%. I am not sure whether it is true or not. This kind of report tends to be extreme sometimes. But under these circumstances, the US is trying to increase exports cleverly.

I think people in Japan should stop criticizing each other. They should discuss constructively how exporting companies can generate steady profits and decide it as a national strategy. I will decline further comment on this matter.

Q: You will visit Myanmar in a couple of weeks. Could you tell us your schedule and enthusiasm for the visit?

A: I will leave for Myanmar at the end of this month. We concluded an MOU with the Central Bank of Myanmar (CBM) for cooperation toward establishing a securities exchange in the country. I talked with the President of Myanmar when he visited Japan and a number of important figures are coming. The other day, TSE conducted training for fourteen people including the CBM deputy governor. We also had the chairman of the congress. We are developing very smooth communications with the CBM.

Our support does not go too far beyond just accepting trainees, helping them draw out rules and frameworks, and possibly supporting system development. We will support them with a view to possibly start operating an exchange by 2015 or 2016. Personally, I think this is a good development.