(Reference Translation)

Notes on Media Briefing by Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc. on September 25, 2012

To begin, I do not have anything special to announce, but I would like to speak to you about IPO trends up to the end of September.

Last week, we had the listing of JAL on September 19th. We also had 1 IPO each on both Mothers and TOKYO PRO Market, whose prices are reflecting a warm welcome. From January to September, the TSE market had 15 IPOs. That is 4 more companies than the same period last year. If we include markets other than TSE, there were a total of 26 IPOs, which is an increase of 6 companies compared to last year. A total of 37 companies conducted IPOs last year. This was a 1.7 time increase on the prior year, due to extremely few IPOs in 2010.

With the trend of continued increase this year, I believe that we will surpass last year's figures. There were 49 IPOs in 2008, at the time of the Lehman Shock, and I would like to see 2012 surpass this figure. In years past, IPOs increase from October, and while I'm not sure we will exceed the number in 2008, I have great hopes for the remaining 3 months.

In addition to the number of IPOs, the response from the market has been very positive. Approximately 80% of the companies who conducted IPOs saw initial prices exceeding their public offering prices. Additionally, many companies have also maintained prices above their offering prices. Despite overall stagnation in the market, investors have shown high expectations for IPO corporations.

The number of listed companies on TOKYO PRO Market, formerly TOKYO AIM, has reached 3 companies, including today's listing. On September 6th, OKINAWA J-Adviser was established as an Okinawan industry support company with the goal of becoming a J-Adviser, formerly known as J-Nomads, to support the listing of local corporations on TOKYO PRO Market. I understand that they have set goals of 2-3 listings per year.

From the perspective of supporting local companies in Okinawa and regional revitalization, they seriously considered the use of the professional market over the

course of 1 or 2 years. We have also pledged our support in close cooperation with Okinawa prefecture.

By limiting TOKYO PRO Market to professional investors, we have greatly simplified listing procedures. Also, the market has a high degree of freedom, with a variety of uses possible through the ingenuity and creativity of J-Advisors. With the creation of an Okinawan J-Advisor, TOKYO PRO Market has embraced the new concept of "Promoting Local Corporations, Regional Revitalization". In consideration of the areas affected by the Great East Japan Earthquake, I think the introduction of this concept is quite significant. With the designation of this company as a J-Advisor, I have high hopes for the listing of even 1 or 2 companies on TOKYO PRO Market in the future.

In Japan, there is little interest in the significance of TOKYO PRO Market as it relates to IPO promotion. However, this is a topic of great concern globally. As I stated before, despite the large divide between the opinions of Democrats and Republicans in the US, they were able to create the JOBS (Jumpstart Our Business Startups) Act within 1 year, with its aim of supporting emerging companies, and have the president sign it into law just last April. Currently, the SEC is responding to its demands and exploring how to incorporate them into rules.

I believe I have said this in the past, but a large part of what rescued the US from recession and wide-scale unemployment in 1929 was a national strategy for the cultivation of SME (Small and Medium-sized Enterprise). I hope the effects of the recent JOBS Act will be scrutinized, but it is an exception from SOX and other moves to loosen internal controls. These efforts to seriously rebuild national economies have become an international trend.

A market idea called "Xin Sanban" or "New Third Board" has also been created in China. Business parks are created in designated provinces, the equivalent to Japanese prefectures, and the corporations in each are able to list on their local "New Third Board" under very relaxed rules. This is a push to greatly expand the number of new industries, not only in major markets like Shenzhen, but all across China.

This is the trend of events occurring around the world. When something occurs in Japan,

responses always turn to financial easing and what the Bank of Japan will do. While that's also important, we should make policies which support and encourage medium-sized corporations or new businesses, and in doing so create destinations for both unemployed and employed workers. Also, we could create laws to further develop Japanese technologies and revitalize the economy. I think that there is a serious lack of these types of specific measures.

Here at TSE, we have revised the listing rules for the 1st and 2nd Sections and the Mothers market in March for the purpose of "Revitalizing IPOs of Small and Medium-sized Corporations," while also engaging in activities to attract companies outside Tokyo to revitalize regional IPOs. I'm delighted to tell you that we are already seeing the effects of the listing rule revisions.

Thanks to this, we have already listed some excellent companies on Mothers, and a company, which last year garnered some press for having the youngest CEO of a listed company, has moved to the 1st Section. I hope it is widely reported, because I think the story of a quick rise from Mothers to the 1st Section will serve as inspiration and motivation for many young people.

That concludes my introduction for today.

Q&A

Q: I have two questions. My first is regarding the TSE/OSE merger. The TOB for OSE shares was completed successfully, which I believe was the biggest hurdle to this combination. Now, we can look forward to the establishment of Japan Exchange Group on January 1st, 2013. In this regard, would you explain the work flow and schedule leading up to the business combination on January 1st? Additionally, regarding the business plans in relation to market and system combinations, could you provide some estimates on the schedule of such?

A: We are steadily proceeding with the schedule I previously provided. As such, since we successfully completed the TOB, the next big step is the extraordinary shareholders meeting scheduled for November 20th. At such time, we will receive

final approval of the new company from the existing shareholders of both Tokyo and Osaka.

The final board of directors meetings in preparation for that will be held simultaneously in Tokyo and Osaka at the end of October. The details decided there will be included in the notice of the extraordinary shareholders meeting. If we receive approval in the extraordinary shareholders meetings, we will complete the listing procedures, which we are currently preparing for, by December 31st, and Japan Exchange Group will be formally established on January 1st.

Business plans are currently in the planning stage, awaiting both the board of directors meetings and the extraordinary shareholders meetings. As such, we have not settled upon specific details regarding system combination or the other topics you mentioned. Though each theme was discussed in the business combination preparatory committee at the end of last year, nothing has been officially decided. Thus, I am unable to give you official answers on how we will deal with system and market combinations. I know you are working very hard to publish articles, but I hope you will understand that this is the extent to which I can answer such questions today.

Q: One more question, please. I would like to ask your impression of the overall market. This question is posed regularly, but I would like to ask why the liquidity in the Tokyo market is so drastically decreased. Every summer, participants dwindle and trading volume is down. However, this summer, trading value has been consistently below JPY 1 trillion and we have even seen days below JPY 700 billion in just the auction market. These conditions aren't limited to Japan, and are, of course, also occurring in China, Europe, and the US.

Given this situation, it appears that investors no longer favor stocks, and that so-called "risk-off" conditions will continue over the long term. I would like to know if you feel this loss of liquidity is a cyclical phenomenon or a structural issue, and what your views are on its causes and background. I realize summer has ended and we are seeing signs of recovery, but I would like to hear your predictions on the latter half of the year.

A: As you pointed out, trading volume has greatly declined. Viewing the average, it has fallen to approximately half of peak levels. Trading levels in 2008 were very high, and recently the Tokyo market has been posting figures which are around half of those in 2008. New York stands around 30%. Nasdaq is around 20%. LSE is below 30% and Deutsche Börse is around 20%. NYSE recently released its quarterly earnings report, and their CEO spoke about how trading had drastically decreased.

This is a global phenomenon. Hong Kong, Shanghai, Korea, Australia, and other countries are also seeing significantly reduced stock prices, with trading volume standing at approximately 70% of peak levels. Trading is on the decline all over the world, but particularly so in developed countries.

I believe one reason for these low levels, particularly in developed countries, is regulatory debate. Opinions are widely split on whether this is good or bad. Comments from politicians and commentators in Washington and New York cite excessive leverage and criticize use of the market to play money games. Perhaps developed countries have forgotten about the original role of stock exchanges. Some are calling them "casinos." We should revive the function of exchanges to provide industrial capital to the proper destinations at appropriate prices. This idea is also at the heart of the Volcker Rule.

In any case, I believe the situation has been completely overblown. Since the burst of the IT bubble, the US market in particular has grown in excess of the real economy with the securitization of homes and the fusion of IT and finance. I think that this rise in liquidity can be justified by proper price discovery and a variety of other reasons. However, when compared to trading levels of the real economy, we see that trading, be it homes or otherwise, is occurring on paper.

Trading levels have been inflated by leverage of 1:1, 1:2, or in some circumstances, even much more. As a result, stock, bond, and derivatives trading has become completely divorced from the real economy. Now we are seeing reflection and correction of that trend.

We can't know when this will calm down. If we look at the period from 2000 to

2010, the bubble burst particularly in the wake of the Lehman Shock in 2008. Generally I don't believe conditions will return to the same as they were a few years before the Shock. In that sense, the difficult conditions we face now are corrections for an overinflated and slightly distorted market. I believe we will be able to say conditions have calmed when trading volumes pick up a little from where they are now.

Instead of continuing declines or continuing stagnation, I believe that market participants are insecure and holding back. As such, after rules are decided and a way forward becomes visible, they will begin to come back to the market and trading levels will return to some extent. However, I don't think they will return to the levels previously seen.

In Japan's case, we're experiencing that more than other markets. With trading by foreign investors occupying 60-70% of the market, Japan is more susceptible to such effects than other Asian countries.

Additionally, the corporate value of listed companies in Japan is regrettably appreciated neither quantitatively nor qualitatively. Of course, there are many good companies here. Just as I said before, they can be found on Mothers, and there are many great companies both new and traditional alike. With that said, moving on to the overall picture, it's as I always say that ROE is not everything, but Japanese companies are continually seen as conducting their management without consideration of investor and debtor expectations, despite running their businesses on equity capital and debt.

An average ROE of 5% puts us at the bottom of Asia. China's ROE stands around 15%, and Korea's is over 10%. Although Japan borrows much from German management styles, German managers are incredibly sensitive to ROE. As a proof, Germany's average ROE is 12-13%. The UK stands at the head of the pack with 16-17%, closely followed by the US at approximately 15%. These are just averages, however and there are individual differences in the details.

For example, I would like to challenge you to examine a Japanese company with an ROE over 10%. In the past 10 years, the stocks of such companies have been on the

rise. Despite TOPIX haven fallen 20% in the past 10 years, there are stocks within that figure that have increased their price several times over. There are over 200 companies which have increased their stock price by two to five times. Those 200 companies could fill an entire portfolio. There are even 24 companies whose stock prices have increased by over five times. These companies have a ROE around 9% or 10%.

Even in Japan, companies with an ROE of 9 to 10% are showing stock price increases of 7-10% annually. Average ROE for foreign companies is over 10%, while Japan's average is 5%. The reason why Japanese are less inclined to buy Japanese stocks than foreign stocks can be found here.

ROE depends on environment, so it is impossible for it to be consistently high. It rises and falls. However, valuing not only ROE, but also capital efficiency, pro-actively appointing outside directors, and considering the opinions of third-parties in management are also important on the qualitative side.

Japan is the only OECD member country which has yet to introduce some form of independent outside director requirements. China, despite not being a member of the OECD, has obligated the appointment of independent outside directors. In regard to accounting standards, Korea has introduced IFRS. China is also pro-actively discussing aligning their standards with IASB.

This is how the world is moving, and still Japan repeats "We'll do it the Japanese way." I believe that way of thinking is being rejected via the barometers of stock price and trading volume. I think it is vital for the people of Japan to recognize this fact, and bring our country in line with international trends.

Japan, with its sophisticated technology and dedicated workforce, will be recognized as soon as it accepts global rules. Currently, it is completely at odds with internationally accepted rules. Right now, it is of the utmost importance for Japan to understand what the world expects and where the world is moving, and at least join in step. Please forgive the length of my answer, but I feel this is an extremely important topic.

Q: I would like to ask about regulatory easing for PTS. Next month, PTS will be exempt for the 5% rule regarding TOB, and trading volumes are expected to increase. How do you view the expansion of PTS from the perspective of an exchange? Do you view it as a threat? Or do you welcome it from the perspective of revitalizing the stock market as a whole?

A: Because we don't have a requirement for market concentration, I have no objections to the creation of PTS by those qualified and able.

However, as I always say, exchanges do not exist to only produce profits and make money for their proprietors. We are entrusted with a very public mission. As such, the managers of an exchange or PTS must be conscious of that, introduce the proper rules and systems and conduct business on equal footing.

On the other hand, there is the question of whether prices are truly being created on PTS.

In both the US and Europe, many problems involving such venues are occurring. Particularly in the US, government regulatory oversight isn't functioning properly due to market fragmentation, and the resulting differing rules and regulations give way to regulatory arbitrage. The US has a uniform rule stating that transactions must be executed at the best price, but the differing impact between an order for 1,000 shares and one for 500,000 shares is not included in considerations of best price.

Because of factors like market depth, liquidity, and market impact, the market price cannot be evaluated using only execution prices and quotes. As experts often say, stock prices are like icebergs. What is visible is only a small part of the whole. We cannot know what kind of market impact an order for 10,000 shares will have by just looking at execution prices and quotes.

In the case of PTS, while I can't speak for Japan, in the US they take little in the way of fees and make their profits via spreads. I don't know the specifics on how large these spreads are. Furthermore, prices are not determined by order concentration, but by referencing stock prices posted in main markets. This begs the question of

whether these can be called markets and what is the purpose of PTS. It would be fine if they conducted their own price formation, but as soon as they begin setting prices based on those in the TSE market, they can no longer be called independent.

In any case, it is a question of whether the presence of PTS is significant to society.

Another point to be made is the difference in tick sizes between PTS and exchanges. We determine tick sizes according to the price range, setting them at JPY 1, 5, 10, 50, 100, and so on. Current Japanese PTS use tick sizes that are approximately 1/10th the size. With ever decreasing tick sizes, people trading large amounts, even millions of shares, have the benefit of executing their entire orders, and while the profit on each transaction is small, the overall profit is quite large. PTS are attempting to capture the business of such traders.

TSE is not currently considering reducing tick sizes in a similar manner, but for discussion's sake, what would happen to the investors trading small lots if we did? New York also grappled with this issue and made a special market for individuals, but it does not seem to be going smoothly.

Furthermore, it is often brokers who are managing these markets. This is rather mysterious, if inevitable. Securities companies create the markets. This is generally how the world is. In Europe, there are many American investment banks that make up the shareholders of these markets. This makes me wonder what the social value of competition between such markets and neutral markets.

I am not welcoming PTS with open arms, but I also do not think we should oppose them.

Q: I believe this has been asked at other press conferences, but this is the first since the law regarding a comprehensive exchange was passed. I would like to ask about TSE's stance on this topic.

A: Since the law has been passed, there may be some action on that front. That is something that we must naturally cooperate with. However, if you are asking

whether I have any plans or ideas regarding a comprehensive exchange, I must be honest and say my head is full with the business combination with Osaka. Our combination with Osaka will be conducted across the same industry, under the same regulation, rules, and laws, so there is no large discrepancy in trading customs or rules. I believe this will make it a smooth process. When speaking of agricultural produce or industrial goods, these are products which we don't handle. This becomes a question of what will TSE or the combined company do.

As my answer, if there is a request for cooperation, we will cooperate, of course. Commodities are essentially futures, meaning that they will fall under the theme of derivatives. However, commodities also bring about the problems of physical delivery of goods and clearing. It's not a simple issue. It may appear as if it all is grouped in the same category in other countries, but the rules are actually separate.

The current situation is that we do not have an appropriate understanding of what exactly a comprehensive exchange, as it is defined in the law, will become.

Q: As you stated before, there was a new listing on TOKYO PRO Market today. It has been 3 years since TOKYO PRO Market was established, and there are 3 companies listed. What are your thoughts on this situation, and how do you view the future of that market?

A: Just as I said at the beginning, I am not satisfied with 3 listed companies in 3 years. When I became CEO of TSE, the Japanese economy was already facing rather difficult conditions. My first idea was to adjust the rules of the Mother market so that it could be properly utilized. The rules for the Mother market were essentially the same as those for the 1st and 2nd Sections.

I visited many places, including venture capitalist meetings, to listen to opinions and a large amount of criticism. They asked me if TSE really was interested in cultivating medium-sized and new business and even about some legal matters. It was very difficult. However, TSE's staff worked hard to revise the Mothers market to the extent possible. The fruits of this labor can be seen today, as I stated before.

At that time, I wondered if Mothers would be enough to make Japan a vibrant country for new and medium-sized companies. I wanted to make a market with slightly looser rules, but with the proper oversight of underwriters and investor responsible. With that in mind, I went to the UK to investigate what had made AIM a success.

AIM, despite being based in the UK, has many listed companies from Eastern Europe and Russia. Today, it has built a foundation for economic revitalization, with over 1,000 listed companies. However, this accomplishment took AIM 10 or more years. The London Stock Exchange CEO at the time, Clara Furse, said that it wasn't so easy in the UK either. Even so, the country committed itself to the AIM market. The proof of that can be seen in the amazingly preferential tax structure.

UK income tax is extremely high, however they use a structure which provides large benefits to holding stocks. In that way, they were able to encourage buying and holding, and revitalize their industry.

I wanted to introduce that to Japan, and in our case it is a professional market. If you ask if I am satisfied compared to my hopes or plans, I must say that I am regrettably not.

While it is true the market's investors are limited, one reason for the market's problems is that Japanese underwriters are passive.

All of the 3 companies currently listed on the PRO Market were underwritten by securities companies based in Singapore. When we spoke with them, they asked "Why don't Japanese use the PRO Market? If we had a market like this in Singapore, we would have 100 or 200 companies listed!"

I believe we need a national strategy to prepare a listing market for the purpose of promoting new businesses. TSE holds the responsibility to do so, but also shares it with politicians and the government. This may be a bit of an exaggeration, but if we do not work together, Japan will lose its future dynamism.