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Notes on Media Briefing by Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc. on October 29, 2012

1. Toward Establishing Japan Exchange Group, Inc.
2. Financial Results for the 2nd quarter of FY ending March 2013

1. Toward Establishing Japan Exchange Group, Inc.

To begin, please look at the handout “Toward Establishing Japan Exchange Group, Inc.” Today I will be covering this material.

As described in page 1, since we concluded the business combination agreement on November 22, 2011, TSE Group and Osaka Securities Exchange (OSE) have been conducting discussions about how Japan Exchange Group, which will be founded on coming January 1 next year, should be managed and how its corporate governance should be laid out. Additionally, we have examined methods of smoothly and speedily achieving the centralization of market functions and integration of trading systems, which form the core goals of the business combination and the source of many synergies.

Meanwhile, we are steadily proceeding toward the completion of this business combination as described on page 2. We received approval from Japan Fair Trade Commission on July 5, 2012, and successfully completed a tender offer to purchase shares of Osaka Securities Exchange Co., Ltd. on August 22. As a result, the conclusion of the merger agreement was approved today at the board meetings of both exchanges, each of which will hold extraordinary general shareholders meetings on November 20 in order to seek the approval of their shareholders.

Today I would like to briefly explain the items which TSE and OSE agreed upon in the discussions, and the basic policy towards the centralization of market functions of both exchanges.

(Reference Translation)

Please take a look at page 4 of the handout. First, let me introduce the governance frameworks of the holding company, Japan Exchange Group, Inc. or JPX. Like the current Tokyo Stock Exchange Group, Japan Exchange Group will adopt a company with committees system. I will serve as Director & Representative, Executive Officer, Group CEO, and Mr. Michio Yoneda, who is President and CEO of OSE, will be appointed as Director & Representative Executive Officer, Group COO of the new holding company. The other candidate board members can be found in the handout. All are currently serving as directors at TSE and OSE. The board consists of 13 members, 9 of whom are outside directors. Also, all of the executive officer candidates are current directors at TSE and OSE, as described in the handout.

Next, please turn to page 6 regarding the operating subsidiaries Tokyo Stock Exchange and Osaka Securities Exchange. For the corporate governance structure of the operating subsidiaries, both exchanges will adopt the company with company auditors system, which is used by both of TSE and OSE currently.

Mr. Hiroyuki Iwakuma, who is the Representative Senior Managing Director & COO of Tokyo Stock Exchange, Inc. at present, has been selected as the candidate for President & CEO of the new Tokyo Stock Exchange, Inc. Similarly, Mr. Motoharu Fujikura, who is the Deputy President and Executive Officer of the current Osaka Securities Exchange Co., Ltd., has been selected as the candidate for President & CEO of the new Osaka Securities Exchange Co., Ltd. The handout also states the other directors and executive officers, all of whom are directors and executive officers of the current TSE and OSE.

Please move on to page 7. In the future as in the past, the corporate philosophy of JPX will continue to promote continuous development of the market, and contribute to the realization of an affluent society by ensuring our reliability and dedication to the public, constructing a highly convenient, efficient, and transparent market foundation, as well as providing creative and attractive services. Our future vision is to become "Your Exchange of Choice." Through the application of our corporate philosophy, we aim to become the exchange of choice in Asia and secure our position as the No. 1 exchange in the region.

(Reference Translation)

In addition, we have set guiding principles for our corporate culture in four C's. These principles are: "Customer First" which expresses our prioritization of customer needs, "Credibility" which indicates our drive to build public confidence, "Creativity" which represents our pursuit of innovative solutions, and "Competency" which will be achieved by harnessing employee potential. These C's embody the corporate culture which we are determined to pursue from the launch of the combined company.

On page 8 you can find the business strategy released at the time of the tender offer in July. Based on this strategy, the Medium-Term Management Plan of JPX is under discussions. We plan to proceed with further discussion in order to determine the plan and disclose it around March next year. At the same time, we also released our plan to set the dividend ratio target at 40% and to retire the shares of OSE purchased through the tender offer, as treasury stock. This retirement of OSE shares is scheduled to occur by the end of this fiscal year.

The page 10 describes the outline of the group companies. As described here, JPX group is scheduled to be listed on both the First Section of Tokyo Stock Exchange and JASDAQ (Standard) as on January 4, 2013, subject to the approval of the Financial Services Agency.

Page 10 and the following pages describe our basic policy towards the centralization of market functions and integration of trading systems. This policy was determined through discussions based on opinions gathered from trading participants and other market users.

First, we are going to merge the cash markets onto TSE around July of the next year, considering that the First and the Second Sections of Osaka Securities Exchange share the basic concept with TSE. However, we plan to take "buffer" measures before integrating them into the First and the Second Sections of TSE. Such "buffer" measures include applying the listing rules of TSE such as delisting rules only after a certain interim period, instead of applying them immediately at the time of integration.

On the other hand, we will not integrate Mothers, TOKYO PRO Market and JASDAQ

(Reference Translation)

for the time being. As each of them has its own market concept, there is concern that the listed companies might possibly suffer from disadvantages or confusion if we rush to integrate these markets.

The trading rules and trading system (arrowhead) of TSE will be used as a general rule. We will also give trading qualifications to the trading participants of Osaka Securities Exchange who do not have trading qualifications of TSE.

Next, we will consolidate the derivative markets onto OSE by the end of FY2013, as described on page 12. Specifically, the trading rules and the trading system (J-GATE) of OSE will be used as a general rule, and we will continue to discuss how to deal with JGB Futures which Osaka Securities Exchange did not deal with in the past, and how to handle trading participant rules.

Moving on to page 13, the self-regulatory functions of OSE will be integrated with Tokyo Stock Exchange Regulation by July 2013, in line with the integration of the cash markets.

Similarly, the clearing functions for derivative transactions on OSE will be integrated into Japan Securities Clearing Corporation (JSCC) by July 2013, prior to the integration of the derivatives markets. This is intended for employing a single and common margin system at as an early stage as possible so that investors can enjoy improved efficiency in their cash management sooner.

With the integration of clearing functions for Nikkei 225 futures, which is listed on Osaka Securities Exchange, into JSCC, JPX Group will be able to provide “one-stop” clearing service for a range of financial transactions including cash trading on all exchanges and PTS, trading of listed derivatives such as TOPIX Futures, Nikkei 225 Futures and JGB Futures, OTC derivatives such as CDS or interest rate swaps, and OTC trading of JGB, covering the full spectrum of products traded in financial and capital markets. As a result, Japan will be at the leading edge of centralized clearing of OTC transactions, which have been a recent topic of discussion among G-20 nations.

(Reference Translation)

As an aside, the Financial Instruments and Exchange Act was revised in May 2010, responding to the consensus that “Derivative trading should be cleared at a Central Counterparty (CCP) by the end of 2012,” reached at the G-20 Pittsburgh Summit in September 2009 immediately after the Financial Crisis. Responding to this revision, JSCC started to provide clearing services for Index CDS trading in July 2011 and started to provide clearing services for yen-denominated Interest Rate Swaps from October 9th, aiming to fulfill its international responsibilities and meet the social demands as Tokyo Stock Exchange Group. A huge amount of yen-denominated Interest Rate Swaps have already been cleared since the introduction of the service.

In the future, we want to enhance safety and efficiency in the market and increase convenience for market participants by continuing to enlarge the scope of traded products and users and providing clearing services in a more integrated, unified manner. In this aspect, Japan is ahead globally, and especially in Asia. I want to stress that this happened not in coincidence, but this is a result of our intention and efforts in the past few years, focusing on and targeting the centralized clearing service of JSCC, for CDS, Interest Rate Swaps, or JGB, preferably for those in foreign countries.

You can see the charts summarizing what I explained now on the pages 14 and 15. This concludes my explanation of the handout.

We will commit ourselves to proceeding smoothly with the centralization of market functions and integration of trading systems from January 2013, thus improving convenience for market users and realizing synergistic effects to a maximum extent as early as possible. In order to make this happen, we will continue to carefully listen to the opinions of market users such as listed companies, trading participants, and investors.

2. Financial Results for the 2nd quarter of FY ending March 2013

I would like to move on to the next topic of today, about our financial results of Tokyo Stock Exchange Group for the 2nd quarter of the fiscal year ending March 31, 2013.

(Reference Translation)

Please go to the next page of the handout. Described here is a comparison of consolidated results on a year-on-year basis. But at first, please note that Osaka Securities Exchange Co., Ltd. (OSE) became a consolidated subsidiary as a result of the acquisition of 66.67% of shares of the company through a tender offer. However, due to the acquisition date for consolidated accounting occurring at the end of this 2nd quarter, the financial results for the consolidated cumulative second quarter do not include the profit or loss of OSE. Their financial results will be reflected on a consolidated basis from the third quarter of this year.

Regarding operating revenue, equities trading value decreased 16.2%, in contrast to a considerable increase in trading volume for derivatives such as JGB futures and TOPIX futures, up 33.8% and up 4.7% year-on-year respectively. As a result, the decrease of trading participation fees was limited to 4.6%. Income from securities settlement was at much the same level as the same period of the previous year, reflecting the increase in clearing fees for derivatives at Japan Securities Clearing Corporation (JSCC).

Listing fees increased 5.5%, reflecting the 201.3% increase year on year in fund raising by listed companies, including the large scale IPO of Japan Airlines Co. Ltd in September, and the listing of a major J-REIT.

Income from market information decreased 4.5% mainly due to a decline in market information fees from a decrease in the subscription number of market information terminals.

In all, operating revenue fell to ¥26.1 billion, down 1.9% from the same period of last year.

Looking at operating expenses, depreciation for the consolidated cumulative second quarter decreased significantly by ¥1.587 billion, down 27.6% year on year. This is the result of accelerated depreciation of the previous systems coinciding with the migration of futures trading to the Tdex+ System in the same period of last year. The fall in depreciation in the current period is a reaction to the surge last year. Also, salaries and

(Reference Translation)

compensation decreased 4.1%. In all, operating expenses decreased 9.2% to ¥20 billion on a year-on-year basis.

As a result, the operating profit increased 33.1% to ¥6.1 billion, and the ordinary profit was ¥ 6.9 billion, up 29.9% year on year, including other revenues such as dividends from Singapore Exchange. Net income after income taxes for the consolidated cumulative second quarter was ¥4.5 billion, an increase of 44.3% from the same period of the previous year.

Thank you very much for your attention.

Q&A

Q: Thank you very much. I have two questions.

I guess that the concrete forms which JPX will take were presented at the board meeting held today, including board member candidates. Of the various management issues which you had to consider for assuming the post of new CEO of JPX, which was the most pressing? Could you specify the points or your ideas behind that issue?

A: The biggest factor behind my decision to proceed with the merger was the concern that Japanese exchanges have not been able to respond to the changes which have been arising over the last dozen years or so in the global financial market due to various reasons. The integration of finance with information technologies has completely changed financial markets worldwide, as well as characteristics of participants such as traders and service providers.

I thought that it is our first priority to rectify such situation and at least catch up to the same level as our global competitors. My idea is that TSE and OSE can be the best match to do this, can go hand in hand with the one another's strengths, namely the cash market of TSE and the derivatives market of OSE. Given the small size of Japan's population, etc., there is little to be gained through domestic competition

(Reference Translation)

between our two exchanges, in terms of reduction of fees or revision of rules, etc. In this era of global competition, where the markets in neighboring countries like Shanghai and Singapore will increase their presence surely and considerably, while the market in Korea has been getting more and more competitive, it is imperative that we have an efficient market in Japan. It is thus that we will be able to provide high-growth companies with risk money or risk capital. I believe this is a mission we can fulfill through the merger between TSE and OSE.

In all, there are about 3,500 companies listed on TSE and on OSE, including a wide range of companies in terms of size. In addition to the stocks of these listed companies, we deal with about 140 domestic/overseas ETFs (Exchange Traded Fund) which track various stock price indices, commodities, and real estate. In Japan we also have derivatives, such as those related to equity indices like TOPIX and Nikkei 225 or JGB Futures. With one-stop offering of a full range of products like these, I believe we operate a market which maintains a level of global competitiveness.

Rather than increasing our own profits, my intention lies in providing benefits to the market users such as listed companies, securities firms, and investors, by means of more streamlined services and management of TSE.

The business combination is only a starting line for us. If one and one makes less than two, metaphorically speaking, it makes no sense for our exchanges to merge. The gauge of the success of this business combination is whether we can build up a truly integrated JPX group which is more than the sum of its parts.

Thinking of these developments, you may be tempted to ask another question about the listing of foreign companies. I would like you to consider this. The integration of information technologies and finance has brought about an environment where all the world's investors, be they Japanese, American, or European, can make their investments anywhere in the world. Companies nowadays also have the option of being listed in markets all over the world, not only TSE or OSE. This is the situation which has prevailed all over the world for more than 10 years. It's true that there are

(Reference Translation)

merits to this, however, if we lack a sense of balance in leveraging these developments, it will do more harm than good.

There have been many reports regarding improprieties involving listed companies in foreign markets which evaded the rules of their markets concerning financial reports or committed huge accounting fraud. But the rules for preventing these incidents between countries have not yet been established. The reality is someone has to pay the price. Someone, maybe investors, whose position is the weakest, are forced to pay the price, in New York or in Singapore, or anywhere else in the world.

I believe that exchanges must consider these problems sincerely. In addition to providing facilities and functions inherent in exchanges, it is our duty to establish rules which can be universally applied everywhere in the world or design transparent approaches against financial crimes, while cooperating with governments.

At the same time, we have to carefully monitor the source of investment money. Although it is not reported much by Japanese media, one of the biggest economic issues drawing attention in Europe is the money flow generated by the introduction of the new tax system FATCA (Foreign Account Tax Compliance Act) in the U.S. FATCA triggered the creation of a concentrated flow of money from Europe to a certain country. Everyone is watching whether U.S. will impose sanctions on this country or not. A market which accepts the practice of money laundering or money obtained by tax evasion is the opposite of our intention. We are struggling with the issue of how to achieve a balance between the pursuit of profit and public interests

Q: I have another question. Regarding the growth strategy after the business combination, you've said that the intention behind it is not necessarily the pursuit of profit. However, if you are to be listed in January, pressure is expected to mount from investors or shareholders for increasing profitability. Although TSE has an overwhelming presence in Japan, the domestic market is shrinking with sluggish trading. Could you share an outline of the growth strategy which you are planning

(Reference Translation)

under these circumstances? Furthermore, a bill for the “comprehensive exchange” plan was enacted in the Diet recently. How are you positioning this in terms of your growth strategy?

A: As you mentioned, we plan to be listed. Naturally we have a responsibility to the shareholders of JPX Group. We cannot conduct business without accountability. Therefore, it is self-evident that we are responsible for the bottom line. In this respect, 1 and 1 must make more than 2 as a result of the business combination. If it doesn't, it makes no sense to integrate our exchanges into JPX. But we have to elaborate on the business model of JPX in order to make it happen.

For one thing, I think that the IPO is a very important point. What I mean here is not only IPOs of foreign companies. Once provided with risk money, there are a lot of sources for explosive business growth in Japan, whether they are technologies, entrepreneurs, or ambitious young men and women. Sadly, it is Japanese ourselves who do not understand this potential of Japan, that Japanese society is rather different from other societies overseas.

People overseas who take a closer look at the inside of Japanese companies often are surprised that there are so many ideas left alone without being nurtured into actual business. We have organized the market where business funds and risk money are easily available. One example is PRO Market.

In this sense, the establishment of PRO Market is the social duty of those involved in the securities and finance industry of Japan although profitability is relatively low there. We created this market by easing rules and regulations to a large extent and currently 3 companies are listed in this market. In all of these 3 cases, a Singaporean securities firm in Japan has been acting as an advisor. Our hope is to create facilities like this in order to provide risk money, with increased support from the entire securities industry and people of Japan. I think we can and will do more.

Also, the launch of PRO BOND Market was not as simple or easy as it looks. From the legal and other aspects, it took a lot of effort to create this market. As you know,

(Reference Translation)

one bond was listed after the launch. Later came a program listing of another bond, on the order of 1 trillion yen. Then came the program listing of one of the largest companies in Korea.

I believe that we have to lift up the market and the country through the support of all of us. Theoretically even a bond in yuan or renminbi (RMB) can be issued, although there are problems concerning areas such as clearing and settlement. I believe that, by steadily responding to the needs of the society in this way, we can fulfill our duty while at the same time making a profit and holding ourselves accountable to the shareholders.

Finally, concerning the comprehensive exchange, I have to confess that I have my hands full with the business combination between TSE and OSE. I think that I will have to discuss this matter with those concerned in the future, but at present I do not have anything concrete to say on the matter.

Q: With regard to markets for growth companies, you said that you would not consolidate them for the time being. What is your future vision for these markets?

A: It is easy to speak about visions. However, Mothers and JASDAQ are considerably different. For Mothers, we amended rules and clarified its concept. Due to this, the number of listings has greatly increased, and recently more than 80% of newly listed companies produced performance over public offering prices. Recently, a company with the youngest CEO in history was assigned to the 1st Section less than a year after its listing on Mothers. Mothers is becoming a step market for companies on their way to listing on the 1st Section. Actually, the idea has arisen among companies that it is not appropriate to remain listed on Mothers indefinitely. Thus Mothers has become a challenging venue for young corporate managers.

JASDAQ might have similar characteristics, however there are actually a wide variety of companies listed on it. We need to considerably review the frameworks of Mothers and JASDAQ including their rules. Simple consolidation of both markets is

(Reference Translation)

likely to cause confusion. However, the pro market is another story due to its uniqueness.

I understand that your question was about JASDAQ and Mothers. I believe everyone can agree that it would be better to consolidate these two, rather than leaving them separate. Though it might take some time, we will consider such consolidation. But hasty action may trigger a change in the characteristics of the markets, so I would like to proceed cautiously.

Q: The number of IPOs by companies in local regions has been gradually increasing, and foreign venture capital groups are paying attention to Japanese venture companies. Some might point out that TSE itself has not been paying much attention to local regions. In the future, how will JPX Group attract promising venture corporations in local regions for listing?

A: This issue is not for a particular person or entity, but should be tackled by all parties concerned. Current many of Japan's leading companies started as very small firms. Among these, there are companies that have originally started their business in local areas, or we could say the number of such companies is higher than that of companies that started in urban areas.

When I was working for a securities company, I was engaged in such a job. In those days securities companies were competing harshly to find up-and-coming companies nationwide in order to underwrite new issues of those companies. They competed by visiting small-and-medium-sized companies, searching for a future SONY or future HONDA which would bring success to the underwriters. It seems that this has not been the case in the past few years.

As you mentioned, in Japan there are a lot of men and women with a variety of ideas at places, such as laboratories at major companies. I hear that Professor Shinya Yamanaka, a Nobel Prize Winner, had difficulties with financing research. Without financing such research activities cannot be continued. Looking at Professor Yamanaka's prize winning, the government has decided at last to provide a budget of several hundred million yen to scientific researches areas. The governmental support

(Reference Translation)

is very important, but we would like to support people who are not necessarily on the Nobel Prize level. I mean young men and women working for mid-sized companies as well as local universities, or people working for the technology-oriented companies who want to start their own businesses.

The other day, I was talking with the CEO of a newly listed company, whose words moved me so deeply. I asked, "Why did you start this business?" He said "No company would employ me when I graduated from university. That's why I started this business with my colleagues. I found this business very interesting and enjoyed working far more than my friends at major companies." After hearing his words, I feel that Japan has entered a new stage in its history. This is why I think it is so important for us to support these entrepreneurs.

We have organized a marketing team and got them engaged in activities attracting investments from investors across the country. Moving forward, we will conduct promotional activities for IPOs all over Japan.

Q: As described in the material, JPX will aim to be the No.1 exchange in Asia. Would you explain what you mean by "No.1", for example, trading value, market capitalization, or other qualitative factors? Please explain what makes the No.1 exchange in Asia.

A: The ideal would be the "No.1" position in scale or in numerical terms. However, there is a huge difference between a market with a population of 1.3 billion and a market with a population of 120 million. Recently plenty of international conferences have been held in Asia and I have participated in many. In every country of Asia, people say, without exception, that they want to listen to Japan's story. How has Japan developed its market? How have companies succeeded, using the securities market? They ask me questions like these one after another.

Tokyo and Osaka exchanges have history of more than 130 years and maintained a relationship with US and European securities markets prior to other Asian nations.

(Reference Translation)

This led us to share many similarities with Western nations in terms of values, ethics, and social structure. With that, Japan has maintained a relatively strong position, with competing with the US and Europe.

The people of Asia want to learn about the knowledge, rules, and systems that TSE has employed to reach this point. Though we naturally want quantitative achievements in the end, they are not our only pursuit. If we engage in joint works or cooperation with Asian countries, the quality of Japanese market ideas and rules will be recognized, thereby also contributing to quantitative goals.

Q: I have two questions. According to the material, the trade name of Osaka Securities Exchange will be changed to "Osaka Exchange" at the time of consolidating the derivatives markets. Will this change be aimed at something like industry reorganization? The name in Japanese is pronounced "Nippon" instead of "Nihon". Is there any particular reason?

A: As you know, derivatives do not necessarily relate to securities. They are purely mathematical products. Considering diversification of the derivatives lineup, we don't need to stick to securities. Therefore the new name will be "Osaka Exchange". As for "Nippon", we checked what we say when cheering the Japanese national soccer team. As a result, since we shout "Nippon", we decided to use this.

Thank you for your attention.