



JPX Report 2015

JAPAN EXCHANGE GROUP, INC.

Your Exchange of Choice

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### Disclaimer

These materials are prepared solely for the purpose of providing information regarding Japan Exchange Group, Inc., and as such, they are not intended as any offer or sale of securities or other similar action whether inside or outside Japan. Our securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

These materials contain forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.

## Establishment of JPX

Japan Exchange Group (JPX) was formed by the merger of Tokyo Stock Exchange Group (TSE) and Osaka Securities Exchange (OSE) in January 2013.

JPX offers comprehensive market and trading services covering a wide array of financial instruments, from cash equities through to derivatives.



### Tokyo Stock Exchange

A global leader in terms of market scale, with operations including the TSE First Section, Japan's preeminent market



### Osaka Securities Exchange

Has the leading share of the Japanese market for derivatives trading, featuring Nikkei 225 futures/options



### On the publication of JPX Report 2015

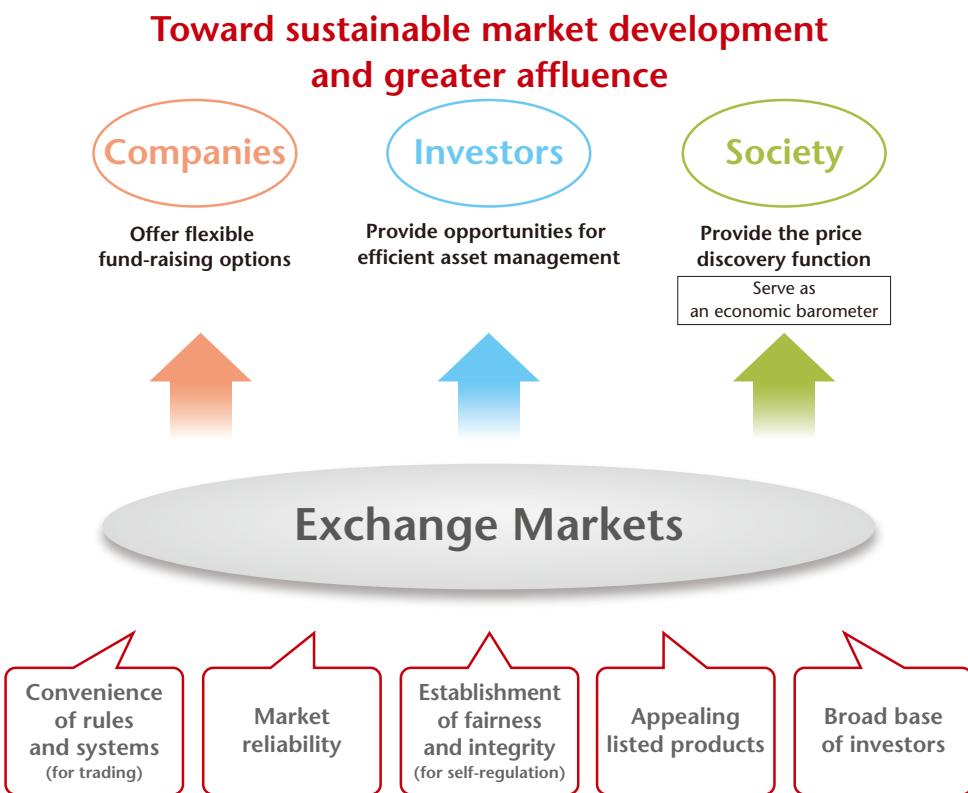
JPX operates its business in accord with its corporate philosophy of contributing to the realization of an affluent society by promoting sustainable development of the market. Earning the support and confidence of all of our stakeholders—including shareholders, market users, and local communities—in the way our business is conducted is vital to achieving this mission. In preparing this report on our activities in FY2014, we referenced the International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework, our aim being to provide all of our stakeholders with a longer-term understanding of JPX's corporate philosophy and the purpose of its existence in our society, and the actual initiatives and actions that flow from these concepts. We will continue working to enhance these reports going forward, and we ask for your ongoing support.

August 2015

## Corporate Philosophy

Our mission is to contribute to the realization of an affluent society by promoting sustainable development of the market. Committed to our public nature and credibility, we build highly convenient, efficient, and transparent markets, and provide creative and attractive services.

Our efforts enhance the support and confidence of investors and market users and bring reward in the form of the profits.



Japan Exchange Group operates exchange markets that foster trust and confidence. Providing companies with flexible fund-raising options and investors with opportunities for efficient asset management, our markets also serve society as a barometer of the Japanese economy.

In fulfilling our social role, we nurture the sustainable development of the market and contribute to greater affluence in society.

## Creed - Four "C"s

### **Customer First - The Customer Comes First**

In order to understand the needs of various stakeholders and to maximize the sum of customer satisfaction, we always think from the customer's viewpoint and continue to look for optimum solutions.

### **Credibility - Securing Social Credibility**

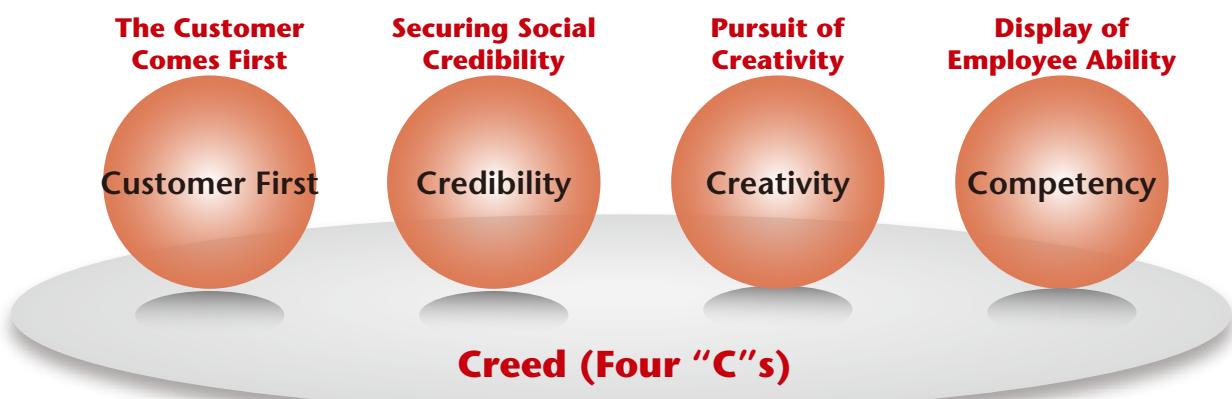
While we stably operate markets with a high degree of fairness and transparency on a daily basis, we also construct a highly reliable social infrastructure that achieves strong competitiveness, stability, convenience, and cost efficiency.

### **Creativity - Pursuit of Creativity**

For the purpose of strengthening global competitiveness and improving customer convenience, we work on offering creative products and services with the spirit and passion for a challenge, without fear of failure.

### **Competency - Display of Employee Ability**

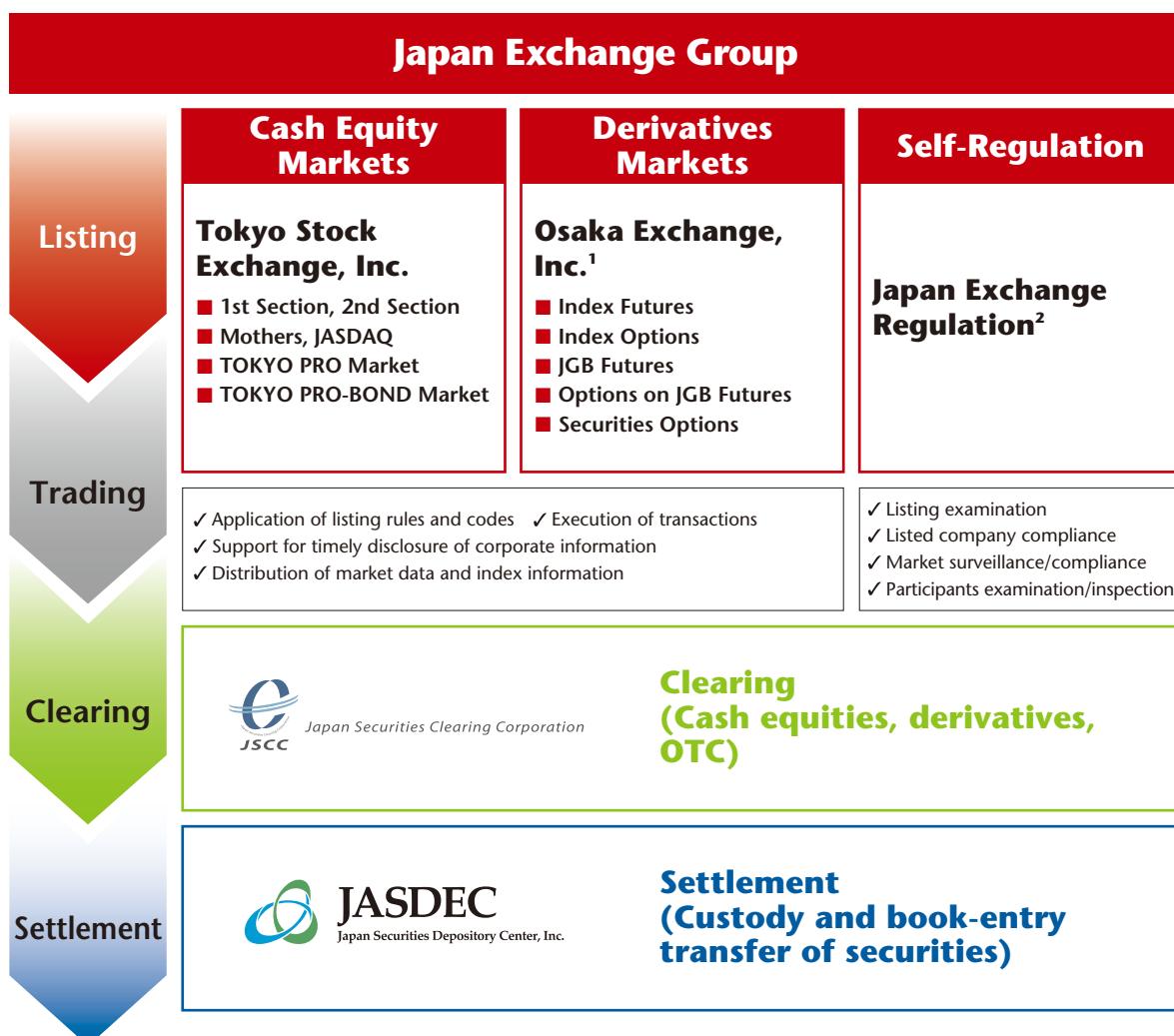
We maintain a working environment in which we can utilize the diversity of individual employees and they can display the most of their abilities.



# JPX's Business and Listed Products

Japan Exchange Group, Inc. (JPX) operates financial instruments exchange markets to provide market users with reliable venues for trading listed securities and derivatives.

In addition to providing market infrastructure and market data, JPX also provides clearing and settlement services and conducts trading oversight to ensure the fairness and integrity of the markets. In the course of working together as an exchange group to offer a comprehensive range of services, we continue to make every effort to ensure reliable markets and create greater convenience for all market users.



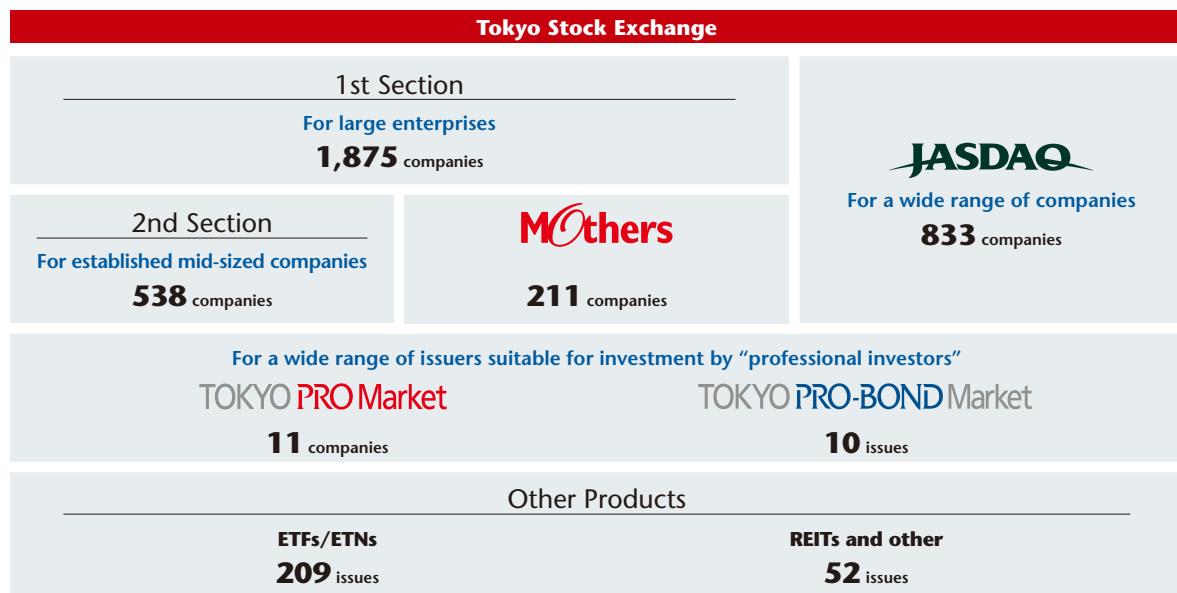
Notes: 1. Osaka Securities Exchange was renamed Osaka Exchange on Mar. 24, 2014.

2. Tokyo Stock Exchange Regulation was renamed Japan Exchange Regulation on Apr. 1, 2014.

\* Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., Japan Exchange Regulation, and Japan Securities Clearing Corporation are JPX subsidiaries. Japan Securities Depository Center, Inc. is a JPX affiliate.

To quickly generate synergies from the business combination and create a more convenient market, JPX first integrated the cash equity markets under Tokyo Stock Exchange (TSE) in July 2013 and later the derivatives markets under Osaka Exchange (OSE) in March 2014. Today, TSE is home to over 3,500 listed companies and OSE offers a wide range of derivatives, including Nikkei 225 futures, TOPIX futures, and JGB futures and options, on a single platform.

#### Cash Equity Lineup (As of Mar. 31, 2015)



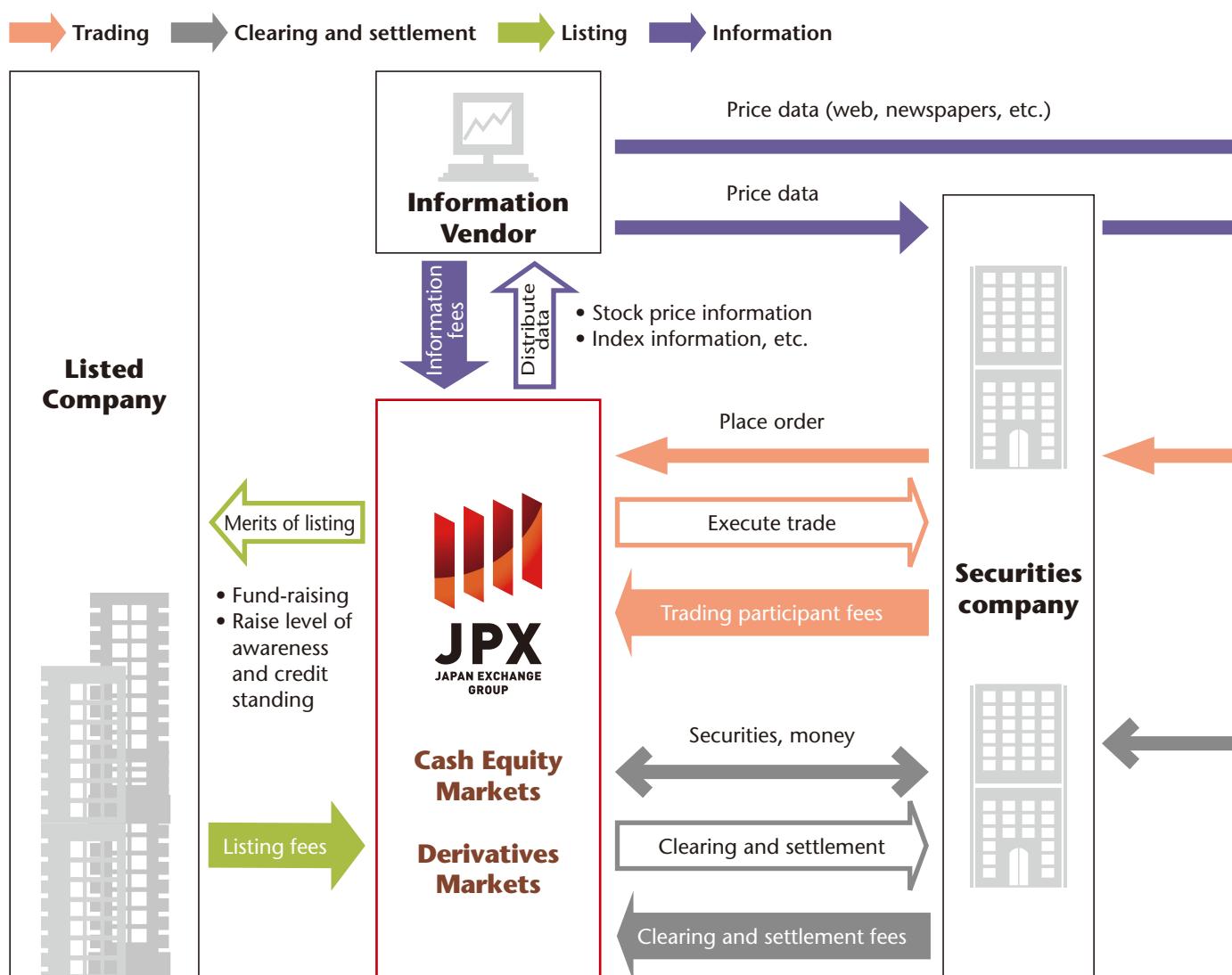
#### Derivatives Product Lineup

Osaka Exchange				
Nikkei 225 Futures Nikkei 225 mini	TOPIX Futures mini-TOPIX Futures	JGB Futures	JPX-Nikkei 400 Futures	
Nikkei 225 VI Futures	DJIA Futures	CNX Nifty Index Futures	Nikkei 225 Options	Securities Options

# JPX's Business Model

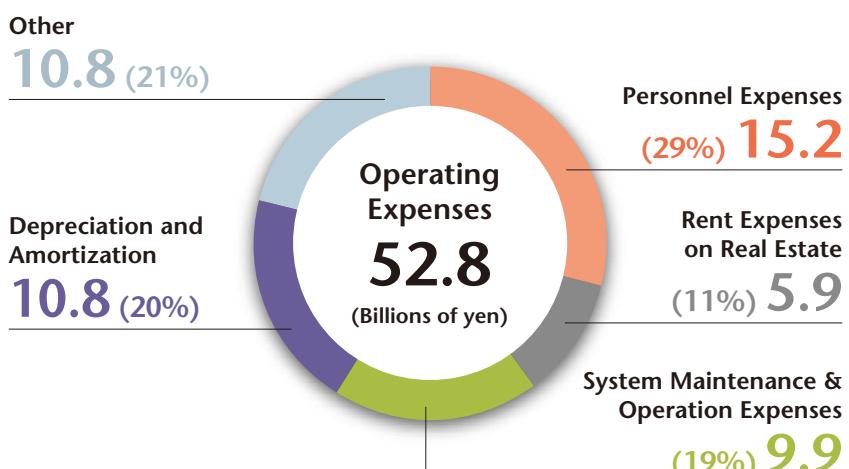
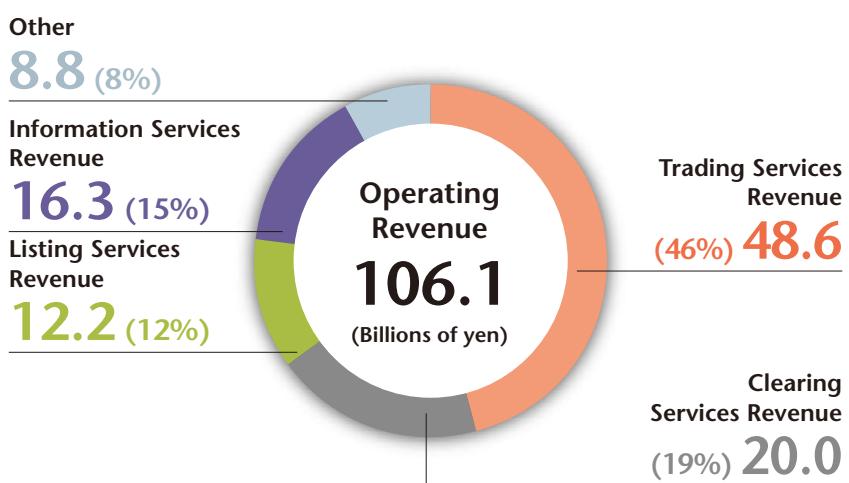
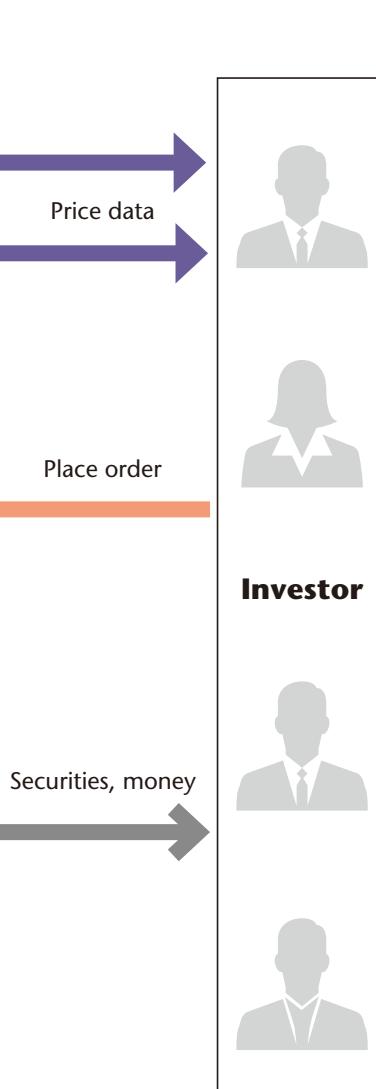
JPX's revenues consist of fees from securities companies and other trading participants, listed companies, information vendors, and other market users. We strive to serve these market users by providing high-value-added services that meet their needs.

## JPX Business Model



## FY2014

### Composition of Operating Revenue and Expenses (Billions of yen)



# Snapshot

## Market Highlights

### Average Daily Trading Value of Stocks<sup>1</sup>

¥2.9 trillion

(Previous fiscal year ¥3.1 trillion)

### IPOs in Japan

91 companies

(Previous fiscal year 57 companies)

### Annual Trading Volume in the Derivatives Market

313 million contracts

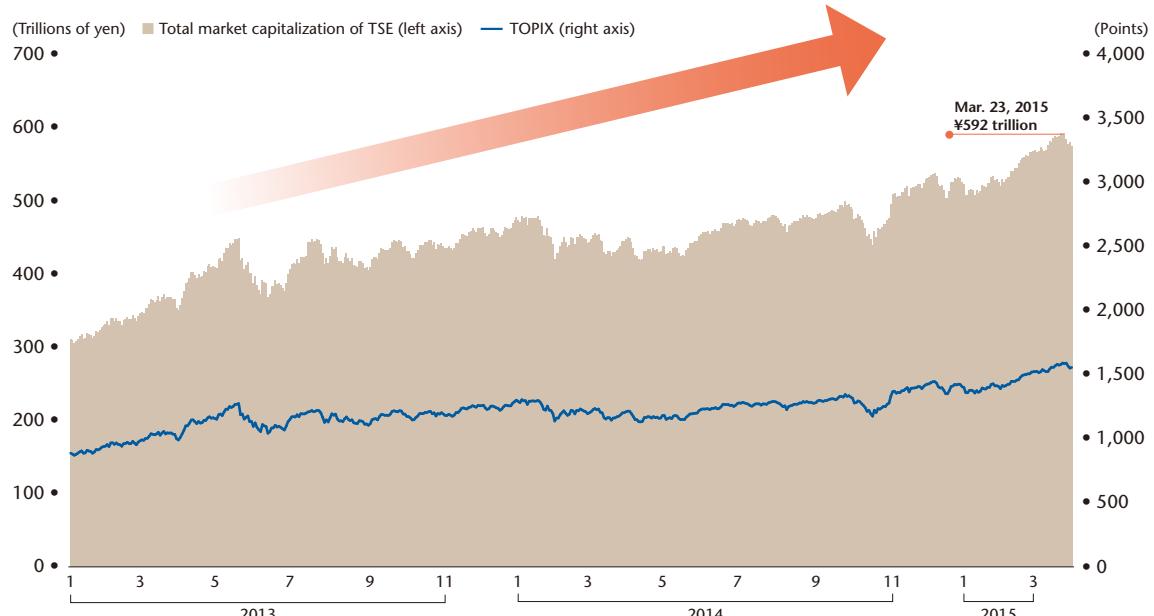
(Previous fiscal year 356 million)

### Average Daily Trading Volume of JPX-Nikkei Index 400 Futures

48,627 contracts

\* Launched on Nov. 25, 2014

### Total Market Capitalization of TSE and TOPIX



Notes: 1. Average daily trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

## JPX Highlights

## Operating Revenue

**¥106.1 billion**

(Previous fiscal year ¥113.8 billion)

Net Income<sup>2</sup>

**¥33.4 billion**

(Previous fiscal year ¥33.3 billion)

EPS<sup>3</sup>

**¥125.4**

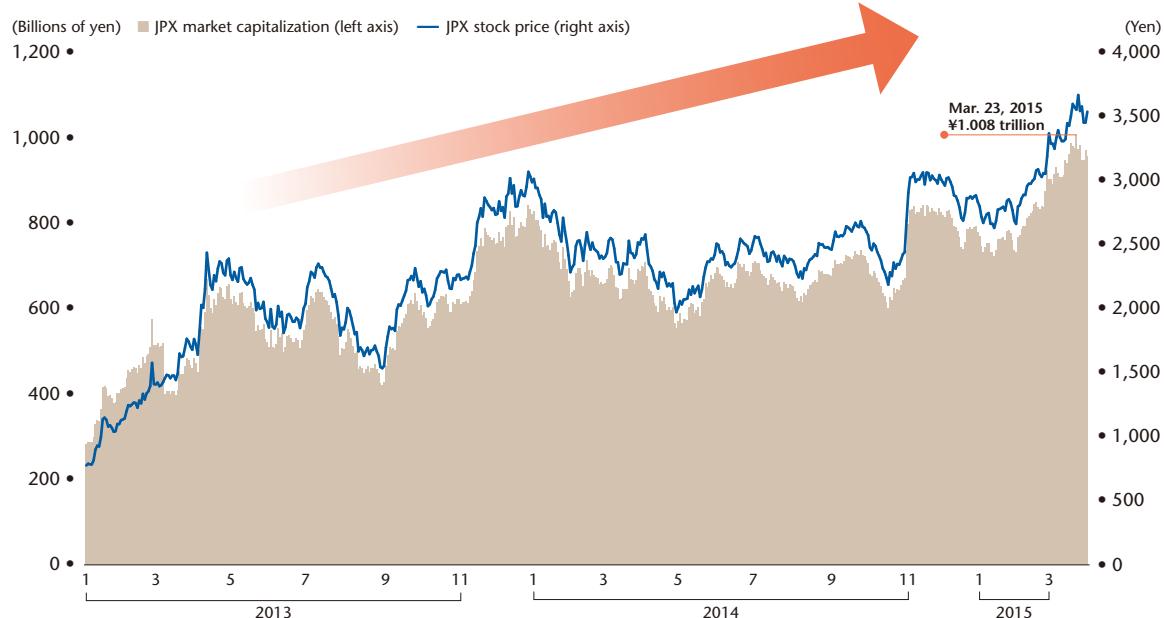
(Previous fiscal year ¥121.3)

## ROE

**15.6%**

(Previous fiscal year 17.1%)

## JPX Market Capitalization and Stock Price



Notes: 2. Net income here is "net income attributable to the owners of parent company," which is total net income minus net income attributable to non-controlling interests.

3. Due to a 5-for-1 stock split which was conducted with an effective date of Oct. 1, 2013, EPS (earnings per share) is calculated as if such stock split was implemented at the beginning of the previous fiscal year.

# Economic and Market Highlights

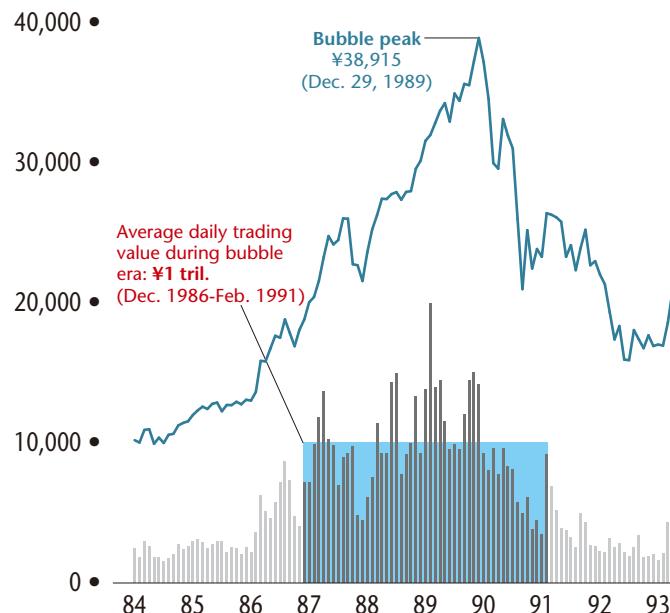
## Stock Market Trend

### Stock Market

In FY2014, average daily trading value on the TSE First Section hovered around ¥2 trillion in the fiscal first half, but, in the fiscal second half, it moved into the high ¥2 trillions and reached levels above ¥3 trillion, reflecting a rise in stock prices due to such factors as the announcement of additional monetary easing by the Bank of Japan and the yen's depreciation. The full fiscal year saw average daily trading value of around ¥2.4 trillion, down 11% compared with FY2013's brisk levels.

At the end of FY2014, TOPIX was up 28.2% and the Nikkei 225 was up 29.5% compared with the end of FY2013. Market capitalization of the TSE First Section increased by approximately ¥129 trillion, from ¥427 trillion at the end of FY2013 to ¥556 trillion at the end of FY2014.

(Yen) — Nikkei 225 (left axis) ■ TSE 1st Section Trading Value (right axis)



\* The highest and lowest prices of the Nikkei 225 are calculated based on closing prices.  
Source: TSE statistics

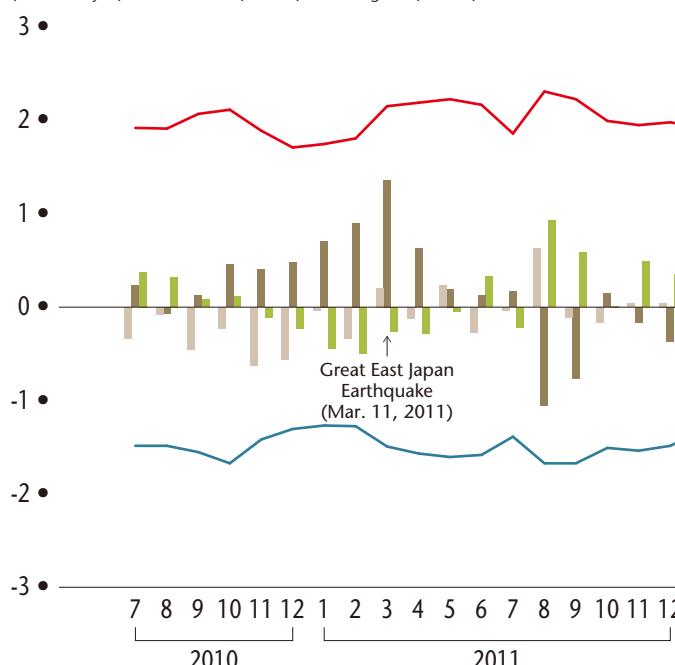
## Trading by Investor Category

**Trading by Investor Category (TSE First Section)**

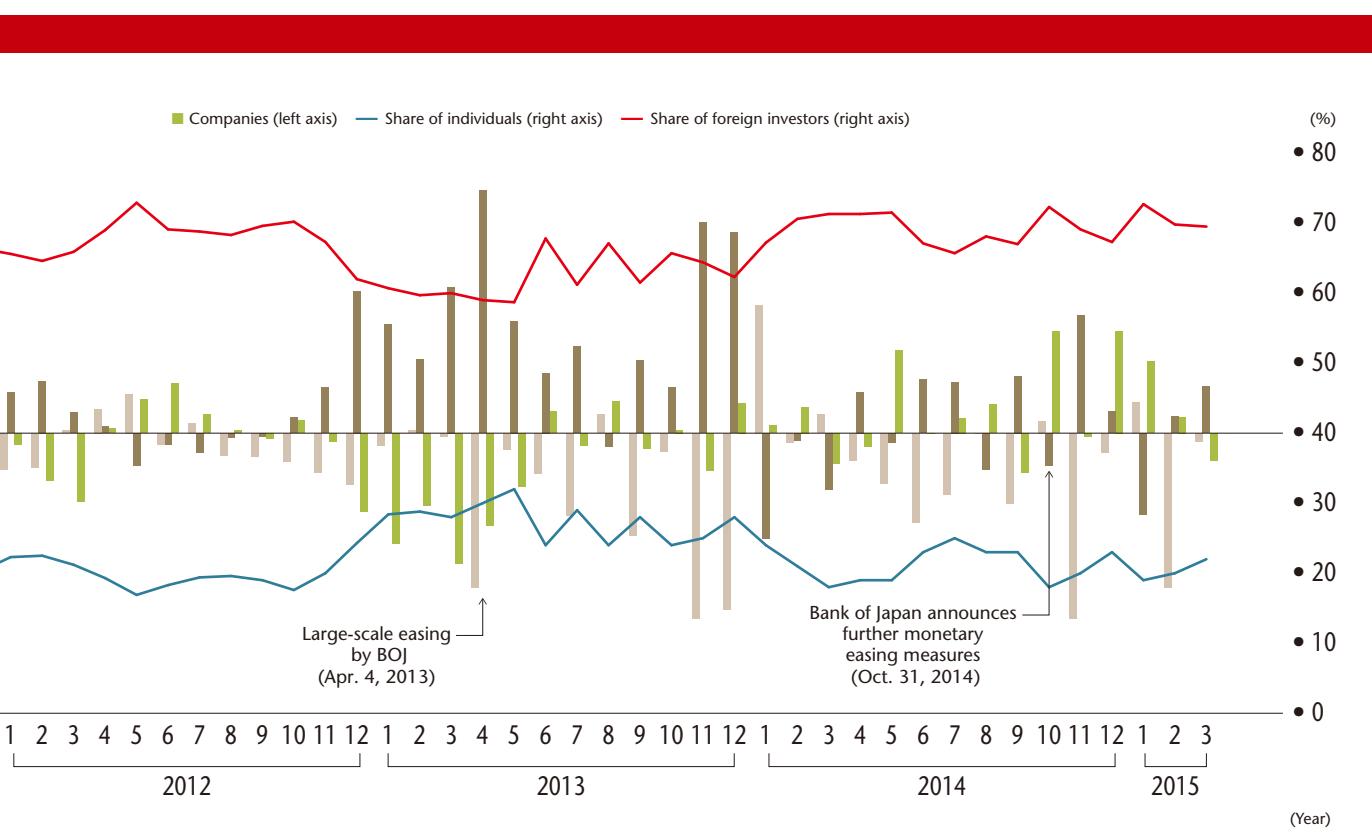
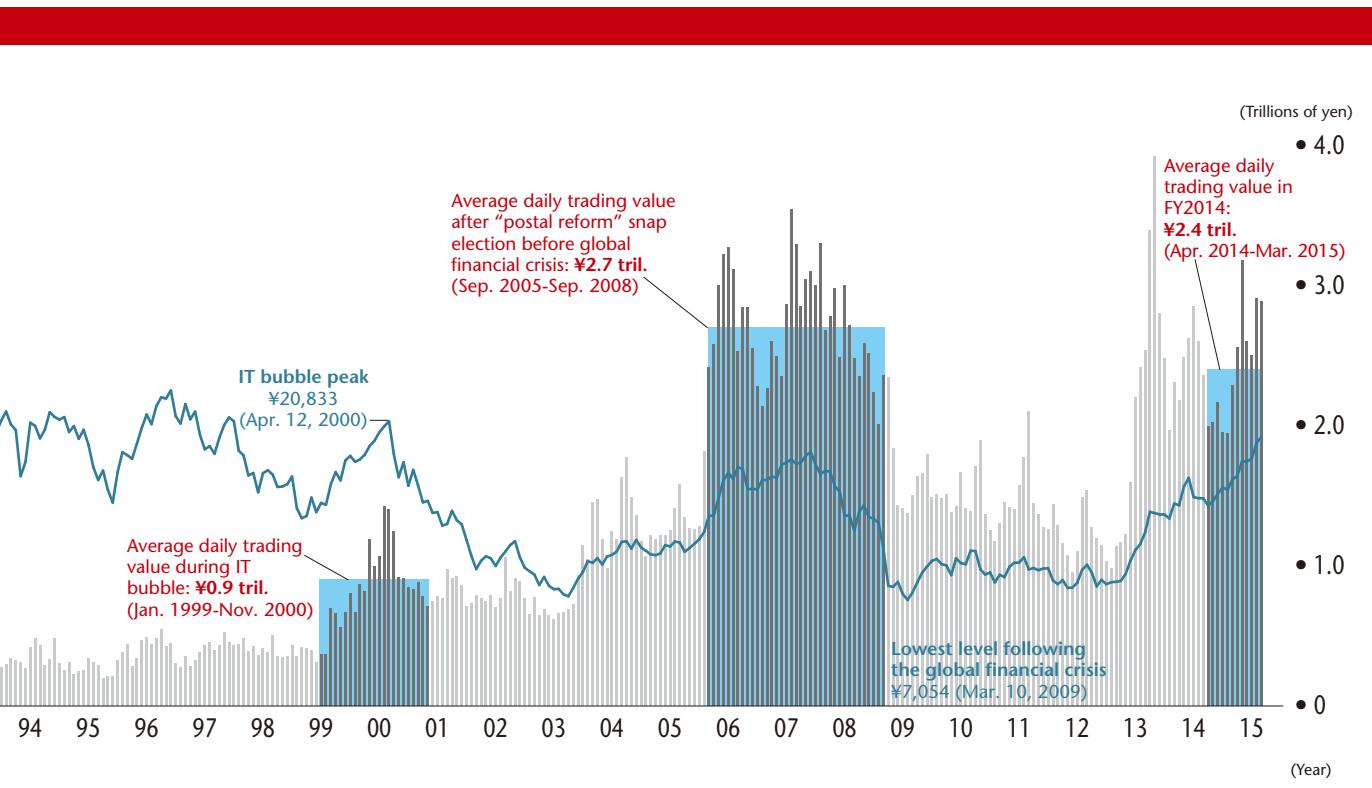
In FY2014, foreign investors were net buyers by over ¥2.5 trillion (they had been net buyers by over ¥9 trillion in FY2013), and corporations were net buyers by over ¥3.5 trillion, whereas individuals were net sellers by over ¥6.5 trillion.

The share of individual investors' trading value remained around 20% throughout the fiscal year.

(Trillions of yen) ■ Individuals (left axis) ■ Foreigners (left axis)



\* Excludes trading in own shares.  
Source: TSE statistics

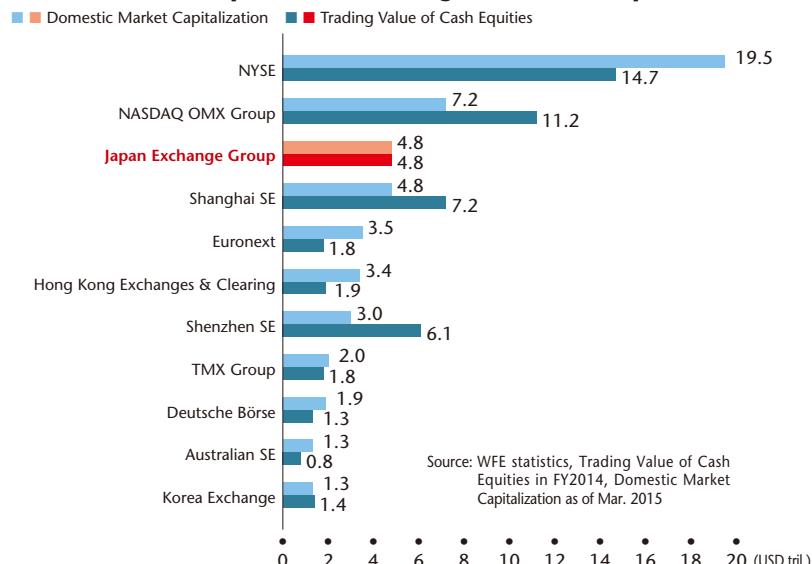


# Business Conditions and Competitive Landscape

## Our Global Position

The JPX stock market was the 3rd largest by market capitalization worldwide as of the end of FY2014, and had the 5th highest trading value during FY2014. The JPX derivatives market ranked 15th worldwide by trading volume.

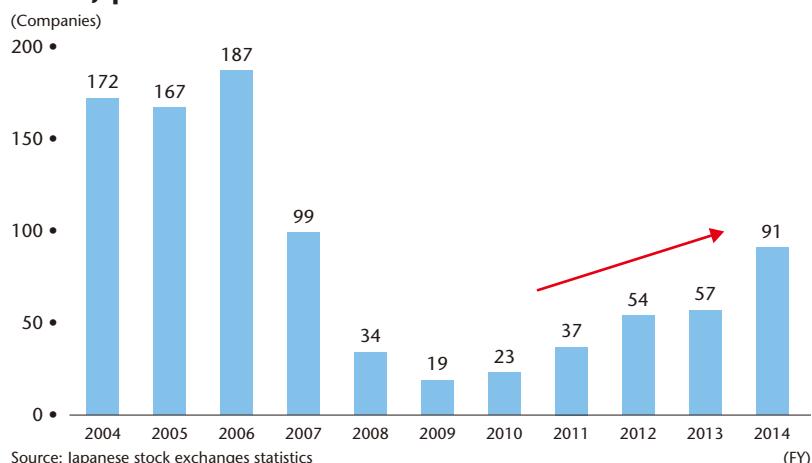
### Domestic Market Capitalization, Trading Value of Cash Equities



## Recovery in IPOs and Financing Activity

The number of domestic IPOs in FY2014 increased by 34 from the previous year to 91. Capital increases and other types of financing are also on the rise.

### IPOs in Japan



## Competitive Landscape of Main Products

### Other stock exchanges

0.0%

OTC

6.1%

PTS<sup>2</sup>

4.6%

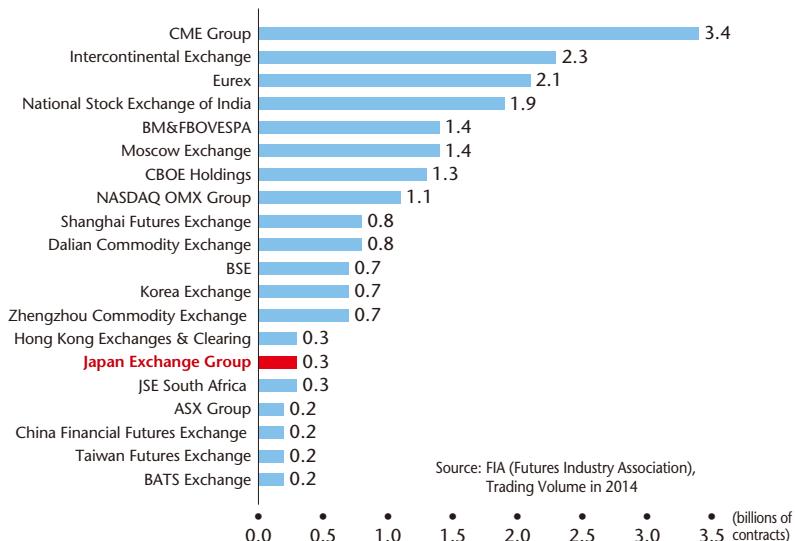
Tokyo Stock Exchange<sup>1</sup>

89.3%

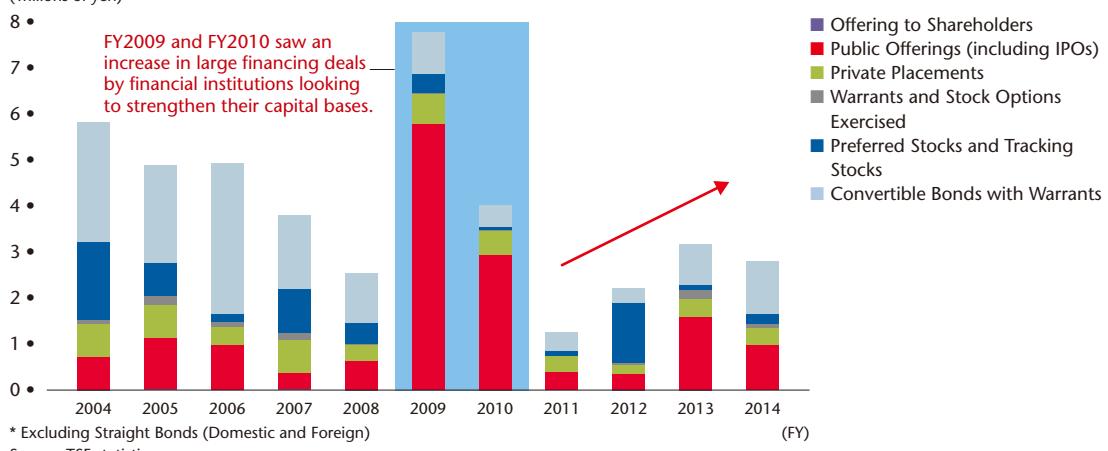
Cash equity  
trading value  
in FY2014

Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.  
2. PTS is the total of SBI Japannext and Chi-X Japan.

Sources: TSE, SBI Japannext, Chi-X, and JSDA statistics

**Derivatives Volume Rankings****Financing by Listed Companies**

(Trillions of yen)

**Chicago Mercantile Exchange (CME)****12.5%****Singapore Exchange (SGX)****20.0%****Osaka Exchange (OSE)****66.5%****Nikkei 225 futures trading volume in FY2014**

\* OSE's mini calculation factor is 1/10, SGX's large (incl. USD denominated) is 1/2, mini is 1/10, and CME's USD denominated and JPY denominated contracts are 1/2.  
Source: Each exchange statistics

# JPX in FY2014—Highlights for the Year

## Formulation of Japan's Corporate Governance Code

TSE has long engaged in initiatives designed to strengthen corporate governance. In August 2014, as part of Japan's growth strategy, TSE and Japan's Financial Services Agency jointly established the Council of Experts Concerning the Corporate Governance Code. The Council released its final proposal for Japan's Corporate Governance Code in March 2015.

The Code delineates fundamental principles for effective corporate governance. The proper implementation of these principles is expected to contribute to the development and success of companies, investors, and the economy as a whole by virtue of individual companies' self-motivated actions aimed at achieving sustainable growth and increasing corporate value over the medium-to-long term.

TSE formulated a Corporate Governance Code based on the final proposal and established associated rules for listed companies, which came into effect from June 2015.

**WEB** <http://www.jpx.co.jp/english/equities/listing/cg/>

## JPX-Nikkei 400 Futures Begin Trading

The JPX-Nikkei Index 400 is a new stock index (launched January 6, 2014) composed of companies with high appeal for investors, meeting the requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives. In November 2014, JPX launched futures contracts on the JPX-Nikkei Index 400.



The futures have been actively traded since listing, with cumulative trading volume topping five million contracts just 111 trading days after listing. Among JPX's listed futures contracts, this pace is second only to Nikkei 225 mini contracts (reached five million contracts in 97 trading days after listing in 2006).

**WEB** <http://www.jpx.co.jp/english/derivatives/products/domestic/jpx-nikkei400futures/>

## ETFs/ETNs\* Pass the 200 Mark

In March 2015, the number of ETFs and ETNs surpassed 200.

ETFs are investment funds that are listed on an exchange. They invest in a basket of underlying assets and can be used to diversify investment risk. For this and other reasons, ETFs are considered appealing by beginner investors.

The first ETF in Japan was listed in 1995, and the market grew to 100 ETFs in 2011. As of March 2015, a total of 209 ETFs/ETNs were listed in Japan.

With the number of issues and daily trading value growing, ETFs/ETNs are gaining an increasingly large presence on the TSE market.

\* Exchange traded funds and exchange traded notes.

## Promoting IPOs

Securities markets have a crucial role to play in stimulating Japan's economy and industries by providing a steady supply of capital for growth companies through IPOs. The relentless efforts of those involved in the market have seen IPO activity in Japan exit its post-financial crisis slump and embark on a path to recovery, with the number of IPOs conducted rising from 19 in 2009 to 91 in 2014.

Japan Exchange Group will continue to provide support for companies seeking to list while working to raise IPO quality and ensure confidence among shareholders and investors.



# Aiming to Create Corporate Value

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## Our Strategy and Performance

### We provide

**Market infrastructure to vitalize the economy**

### By focusing on

- Customer First
- Credibility
- Creativity
- Competency

### We ensure

- A fair and liquid market for equity and derivatives trading
- Listed product quality and accurate information disclosure
- System reliability through guaranteed clearing and settlement
- An environment conducive to efficient and innovative business

## We work on

- Creating a new Japanese stock market
- Qualitative/quantitative expansion of the derivatives market
- Expanding exchange business domains
- Strengthening ties with Asia

## Creating value

### **Realizing an affluent society through sustainable development of the market**

- Provide companies with capital-raising opportunities  
Generate added value through new products and services
- Provide investors with asset management opportunities  
Promote wealth formation through effective asset management
- Provide markets for price discovery  
Contribute to valuation in economic activity through formation and provision of fair prices

## Message from Group CEO

# We Create Value for People and Society

JPX strives to become the most preferred exchange for all investors, contribute to economic growth in Japan and Asia, and enhance corporate value.

A handwritten signature in black ink, appearing to read "Akira Haga".

Director & Representative Executive Officer, Group CEO  
Japan Exchange Group, Inc.

I assumed the position of Group CEO in June 2015, at a time when exchanges around the world face borderless competition on the back of increasingly sophisticated IT and globalization. I feel that, to exert JPX's presence internationally in such an environment, along with strengthening our existing core business for Japanese equities, we need to take the next leap forward by expanding our business domain.

Ensuring high liquidity and fair and transparent price formation, providing venues for asset management to investors, and channeling growth capital to listed companies lie at the core of a capitalist market economy. We believe that JPX plays a vital role in Japan's economic development and ensuring sustainable growth.

To fulfill this role, we endeavor to enhance the attractiveness of Japanese stocks through improving the exchange infrastructure and raising the corporate value of listed companies.

In terms of improving the exchange infrastructure, we are currently developing trading systems with priority on greater reliability and improved risk management functionality. We are also considering a more sophisticated clearing system.

For raising the corporate value of the listed market, JPX is focusing on further enhancing corporate governance and the importance of ROE from the standpoint of capital and management efficiency. Japan began applying its new Corporate Governance Code from June 2015, and raising corporate value has become a primary theme in corporate management. On our part, we introduced the JPX-Nikkei Index 400 among other measures aimed at encouraging a shift in management toward raising corporate value.

Besides fulfilling our role as infrastructure for the capital market economy, I think there are still areas in which JPX can do more to contribute to the world economy through the market. Diversifying our business portfolio is also important for JPX as a listed company. I see three

areas for future expansion—derivatives, new exchange business, and overseas business.

Derivatives hold the greatest potential to raise JPX's top line. We continue to work with related parties to offer products based on commodities, short-term interest rates, currencies, and other underlying assets, and become a truly comprehensive, multi-asset exchange.

In terms of entry into new business fields, to further increase convenience for investors, listed companies, and market participants, we believe there are certain areas, such as information services, where our know-how can be leveraged as a business asset. We are considering M&A or joint ventures as viable options to advance new business initiatives.

For overseas expansion, strengthening relations with ASEAN and China will be crucial, with a fundamental focus on enhancing bidirectional investment flows between Japan and other countries. Ongoing projects, such as our efforts to build a securities market in Myanmar, are fostering trust and long-term relationships, laying the foundations for future business. We will remain firmly committed to such projects, and recognize the need

for continued strong backing from the management and cooperation with the government and the industry.

JPX will continuously strengthen our business bases and expand into new business fields to support economic development in Japan and elsewhere in Asia, and contribute to the world economy. In doing so, we will create added corporate value and meet the expectations of our shareholders and other stakeholders.

We hope to enjoy your continued support as we take the next leap forward.

August 2015

Akira Kiyota

Director & Representative Executive Officer, Group CEO  
Japan Exchange Group, Inc.

# Medium-Term Management Plan (FY2013 to FY2015)

JPX formulated its Medium-Term Management Plan (FY2013 to FY2015)\* in January 2013, which aims to realize JPX's future vision of being "The Most Preferred Exchange in Asia." This plan sets forth the following core strategies: "Creation of a New Japanese Stock Market," "Expansion of the Derivatives Market," "Expansion of Exchange Business Fields," and "Asian Strategy."

In addition, from the perspective of shaping the future of JPX as well as contributing to the development of Asia and using this to contribute to its own future, JPX is focusing on "Creating Business Opportunities in Asia (Asian Strategy)."

FY2015 will be the final year of this plan. JPX will make sure to achieve the management and financial goals of the plan and objectives of various related measures. Furthermore, with an eye to substantially strengthen its international competitiveness, JPX will implement initiatives to expand and diversify its business base. Through these activities, JPX endeavors to further enhance its corporate value.

\* Updated in Apr. 2015

## OUR VISION "Become the Most Preferred Exchange in Asia"

JPX formulated core strategies to fulfill both its responsibility to shareholders and its social responsibility of supporting Japan's capital market as the single "Japan Exchange."

### Key 1 Creation of a New Japanese Stock Market

Using the opportunity provided by the market integration, re-envision the Japanese stock market as one that develops with the Asian economy

#### Improve Appeal of Japanese Stocks

- Establish and spread Corporate Governance Code
- Renew arrowhead
- Expand ETF/REIT products
- Establish JPX-Nikkei 400 as equity benchmark
- Policy recommendations for enhancing market functions

#### Promote IPOs

- Continue listing support while ensuring and raising market quality

### Key 2 Expansion of the Derivatives Market

Combine the trading infrastructure and marketing capabilities of both TSE and OSE and promote ourselves as a comprehensive exchange to become a top-class Asian derivatives market

#### Comprehensive Exchange/New Product Development, etc.

- Develop and list new products based on current system
- Explore new products and opportunities presented by new J-GATE system
- Expand into commodity derivatives

### Key 3 Expansion of Exchange Business Fields

Realize the diversification of our revenue streams mainly through expanding our OTC clearing business to become the most preferred destination for investments in Asia

#### Expand Clearing Business

- Increase use of OTC derivatives clearing

#### Explore New Business Fields

- Explore entry into new business fields that allow JPX to leverage its strengths in information resources, technical expertise, and its broad network of clients

### Key 4

### Create Business Opportunities in Asia (Asian Strategy)

- Support for establishment of a stock exchange in Myanmar
- Fund provision through the PRO-BOND Market

- Infrastructure exports to ASEAN and other markets
- Developing the China strategy

### Strengthening the Organization for Business Expansion

Build on achievements in organizational restructuring and system integration and proceed to strengthen the organization for expansion

Medium-Term Management Plan, see: [WEB](#)

<http://www.jpx.co.jp/english/corporate/investor-relations/management/mid-business-plan/>

# Management and Financial Goals and Cost Management

## Use Cost Control to Generate Earnings Power

JPX's earnings structure, including its core earnings from trading services, may be easily affected by economic conditions and market trends, which are out of its control. On the other hand, the ratio of fixed costs, which consist primarily of system maintenance and operating expenses, depreciation, and other items, is high. Therefore, JPX needs to ensure stable earnings through appropriate cost controls and strengthen its earnings power through diversifying its revenue sources.

Based on these concepts, at the time of the management integration two years ago, as part of its current Medium-Term Management Plan, JPX set the objective of reducing its costs through the integration of organizations and systems and maximizing cost synergies

with the aim of enhancing its ability to generate stable earnings. The objective under the plan is to reduce costs by ¥8.5 billion or more in FY2015 in comparison with FY2012.

Specific measures included cutting costs by about ¥7.0 billion through the integration of overlapping systems. Other measures were realigning and consolidating its business network, reviews of operations, and other means and are scheduled to cut costs by about ¥1.5 billion. The integration of primary systems under the plan has been completed, other measures are moving steadily toward completion, and JPX is generally in sight of attaining its objectives.

In FY2015 and subsequent years, as it works to control costs, JPX will spend and allocate funds and resources to strategically important areas and aggressively implement policies to strengthen its earnings base in the medium term and work to raise its top line.

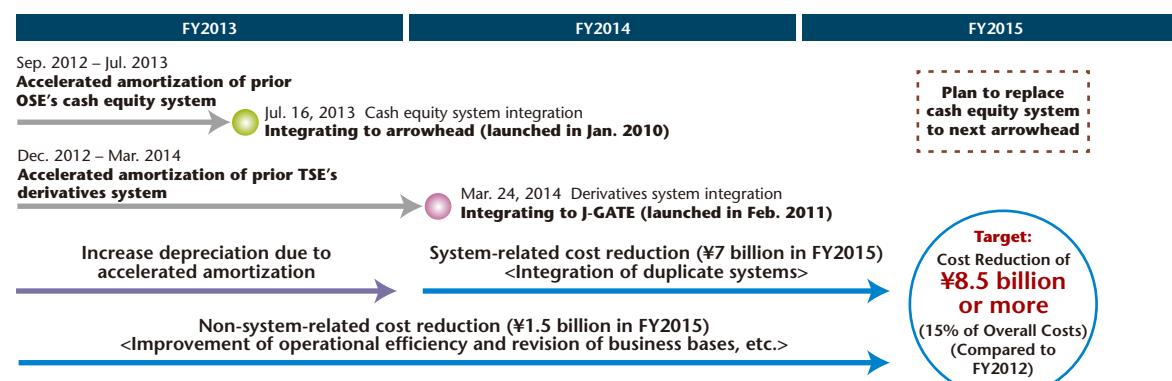
**Management and Financial Goals<sup>1</sup>** (Billions of yen)

	FY2015 Target	<Reference>	FY2015 Financial Indicators
Operating Revenue	¥100.0	Capital Investment (FY2013–FY2015)	ROE <sup>4</sup>
Operating Expenses	52.0		approx. 13% (approx. 15%)
Operating Income <sup>2</sup>	48.5	¥46.0	EBITDA
Net Income <sup>2</sup>	33.0		approx. ¥60
Annual Dividends per share (yen)	¥73 <sup>3</sup>		

Notes: 1. The above management and financial goals are based on the average daily trading value/volume and other figures. The average daily trading value/volume figures were set by JPX based on actual past results, but may be largely influenced by market conditions and other external factors.

2. Operating Income in accordance with IFRS includes non-operating and extraordinary income/loss other than financial revenue/expenses and equity in income/loss of affiliates. Net income in accordance with IFRS indicates net income attributable to owners of the parent company.
3. Based on revised basic policy on profit distribution for FY2015 onward (dividend payout ratio of approx. 60%). For details, refer to "Changes to Basic Policy on Profit Distribution, etc." disclosed on Apr. 28, 2015.
4. The ROE in parentheses is calculated less the reserves for compensating for loss due to clearing operations (i.e., Default Compensation Reserve Funds).

## Generating Cost Synergy



Note: System-related cost: costs related to system maintenance/operation, depreciation, etc.

# Creation of a New Japanese Stock Market

## JPX Continues to Pursue Measures to Raise the Appeal of Japanese Stocks

### Increasing the Corporate Value of Listed Companies

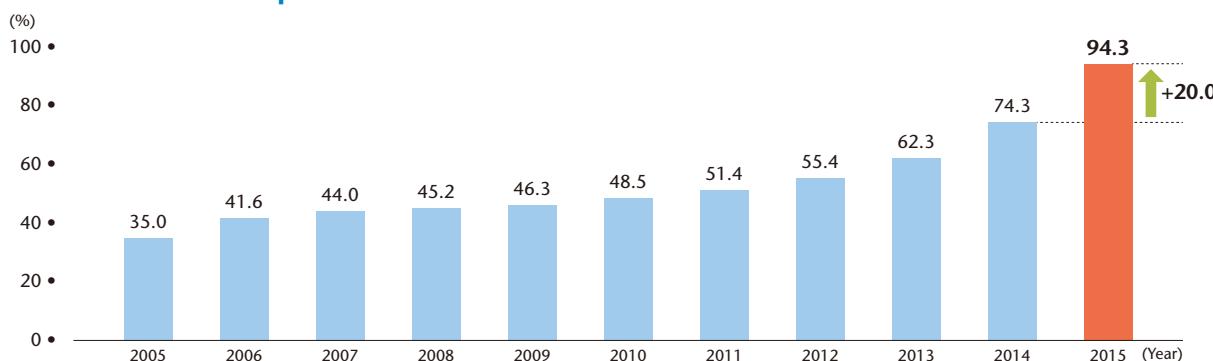
Investors have long viewed the low return on capital of listed Japanese companies as an issue, and this has damaged the overall appeal of Japanese stocks.

In view of this issue, in 2014, strengthening corporate governance to increase the earnings power of its corporations was positioned as part of Japan's growth strategy. After discussions among informed persons and groups, TSE and the Financial Services Agency prepared the Corporate Governance Code, and, in June 2015, the stock listing rules were revised to achieve a "Comply or Explain" regime based on the Code. The Corporate Governance Code contains a set of core principles for realizing effective corporate governance. Through observing and practicing the principles in this Code, corporations can be expected to take initiatives toward sustainable growth and increasing corporate value in the medium-to-long term.

The positive effects of the introduction of this Code are becoming apparent. For example, the appointment of outside directors has risen rapidly after the beginning of FY2015, and more than 94% of companies listed on the First Section appoint outside directors. Moving forward, JPX is working together with the Financial Services Agency and other stakeholders to ensure that the effects of the introduction of the Corporate Governance Code are not merely superficial and that outside directors play an integral role in management decisions and positively influence corporate behavior.

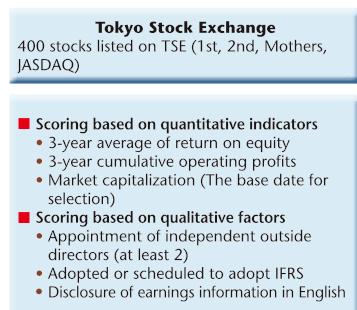
Another measure that is intended to boost the shift in the mindset of corporate managers is the introduction of the JPX-Nikkei Index 400. The stocks included in this new index are chosen on the basis of quantitative indicators, such as return on equity (ROE), and qualitative criteria that, from a management point of view, are important to investors. Since index calculation began in January 2014, the index has been welcomed by many investors, and the amount of funds invested through investment trusts and ETFs has exceeded ¥900 billion. Moreover, Japan's largest public pension fund, the Government Pension Insurance Fund (GPIF), has adopted the JPX-Nikkei 400 as one of its benchmarks, and use of the index is steadily growing among investors.

### Ratio of 1st Section Companies with Outside Directors (%)



\* Figures for years up to 2014 are based on (i) corporate governance reports and (ii) research on corporate governance of the listed companies conducted by the Japan Association of Corporate Directors. Figures for 2015 are based on corporate governance reports of listed companies as of Jul. 14, 2015.

### JPX-Nikkei Index 400



Gain acceptance among domestic and foreign investors as a new benchmark  
Encourage capital efficiency to raise corporate value and accelerate change

Raise quality and revitalize the Japanese market

### Comparison of ROEs of major stock indices

	2011	2012	2013	2014
Japan TOPIX	3.3	5.7	8.5	8.5
United States S&P 500	15.0	13.6	15.3	15.1
United Kingdom FTSE 100	16.0	9.4	12.6	15.7
China Shanghai Composite	15.3	13.9	14.0	13.7
World average MSCI World	11.7	10.6	12.1	12.4

Source: Bloomberg

JPX will continue to implement measures aimed at improving the corporate value of Japanese companies and revitalize Japan's equity market.

### **Renewal of the arrowhead Cash Equity Trading System**

Exchanges are part of the systems industry and are engaged in competition on a global scale. As such, exchanges must demonstrate their strengths by providing systems that adequately satisfy the functionality and processing needs of market users, and constantly improve them. At the same time, exchanges are part of the financial market infrastructure and must ensure the stability and reliability of their operating systems.

Recognizing these needs, JPX will renew its arrowhead cash equity trading system in September 2015 based on its fundamental principles of improving the system's reliability, convenience, and processing capabilities.

The renewal will increase system processing capabilities (including trimming order response times from 1 millisecond to 0.5 millisecond) and introduce new functions that make for greater convenience with high priority given to enhancing system reliability. The reason for this focus is a growing concern that, as electronic transactions and high-frequency trading become more widespread and volumes increase, a runaway program could impact the entire market. For this reason, JPX has responded by introducing mechanisms to restrain the placement of orders that exceed certain criteria and check orders and trading conditions over a specific period of time.

### **Promotion of IPOs**

New, emerging companies obtain funds and support for growth through initial public offerings (IPOs). These funds and support power the "metabolism" that is indispensable for economic growth and provide the market with new and appealing companies to invest

in. IPOs have particular significance for the Japanese economy, and it is thus important to secure the trust of investors and confidence in the market. JPX works together with securities companies, accounting firms, and other related parties to support IPOs by ensuring and raising the quality of the listed market, and supports the listing of attractive companies.

### **Expansion of the ETF and REIT Markets**

To attract a diverse range of investors from Japan and overseas to further expand the market, JPX recognizes the need to provide more appealing and diverse product offerings. Accordingly, JPX is working to broaden its lineup of products in the ETF and REIT markets.

The first ETFs were listed on TSE in 1995. Since then, the market has grown in size and asset coverage. Today, more than 200 ETFs are available for trading. Recently, leveraged ETFs and inverse ETFs<sup>1</sup> have driven market growth. As of the end of FY2014, JPX's ETF market is Asia's largest in terms of listed issues, overall assets under management, and trading value.

The REIT market was launched 14 years ago in 2001 and today has grown to more than 50 issues. At the end of FY2014, the market welcomed its first REIT specialized in healthcare facilities. The market has developed steadily in terms of both market capitalization and trading value.

JPX will continue to broaden its ETF and REIT line-ups.

Note: 1. A leveraged ETF tracks a leveraged index, which is calculated by multiplying the daily rate of change of the underlying index (TOPIX, etc.) by a specified multiple.

An inverse ETF tracks an inverse index, which is calculated by multiplying the daily rate of change of the underlying index (TOPIX, etc.) by a specified negative multiple.

### **Fundamental Principles for arrowhead Renewal**

TSE will carry out renewal based on the current arrowhead system in line with the fundamental principles of improving reliability, convenience, and processing capabilities.

#### **Improve Reliability**

- Introduce new functions to respond to risks from growing use of electronic and high-speed trading, thereby enhancing market reliability

#### **Increase the attractiveness of Japanese stocks through arrowhead renewal**

#### **Improve Convenience**

- Revise trading rules to further increase market convenience and invigorate the market

#### **Improve Capabilities**

- Further increase processing speed, enhance processing stability, augment capacity, and review operations

#### **Establishment and Application of the Corporate Governance Code**

To support the smooth response of listed companies to the Code, JPX will conduct activities to raise awareness and provide information on the status of the response of listed companies to the Code.

#### **arrowhead Renewal**

The system renewal will include providing risk management functions for responding to the increase in the use of electronic and high-frequency trading. The system will go into operation on Sep. 24, 2015.

#### **Promotion of IPOs**

With the number of IPOs increasing steadily and the desire to list among corporations remaining strong, JPX is continuing its initiatives to maintain and raise listed market quality and provide listing support.

# Expansion of the Derivatives Market

## Expanding the Derivatives Market to Increase JPX's International Competitiveness

### Toward Expanding the Derivatives Market

Although JPX counts among the top five cash equity markets in the world in terms of trading value, its derivatives market ranked only 15th in trading volume in 2014. In view of the size of Japan's economy and its cash equity market, there is clearly room for further expansion. Going forward, the derivatives market can provide the driving force for JPX to raise its top line and increase its international competitiveness.

Moreover, from a global perspective, with the tightening of regulations on OTC derivatives trading (over-the-counter trading that does not pass through an exchange), the latent demand for market derivatives will likely strengthen.

Amid this operating environment, JPX will broaden its product lineup and build new networks with investors in Japan and overseas to expand its derivatives markets.

### Developing and Launching New Derivatives

OSE operates the JPX derivatives market and began trading JPX-Nikkei 400 futures in November 2014. The market has made a smooth start, averaging approximately 49,000 contracts per day in FY2014.

To expand its derivatives, OSE launched Nikkei 225 weekly options in May 2015. The new weekly options are set so that they expire on weeks other than those with existing Nikkei 225 monthly options, which expire on the business day before the second Friday. With contracts expiring every week, the new weekly options offer greater flexibility for risk hedging.

Also, in July 2015, to facilitate hedging by investors holding 20-year Japanese government bonds (JGBs), JPX conducted a review of the contract specifications for 20-year JGB futures. Specifically, the interest rate for standardized bonds was moved nearer to the prevailing market rate, and the deliverable grade was modified to bonds of higher liquidity. Through these and other initiatives, JPX is working to accommodate the requests of market participants.

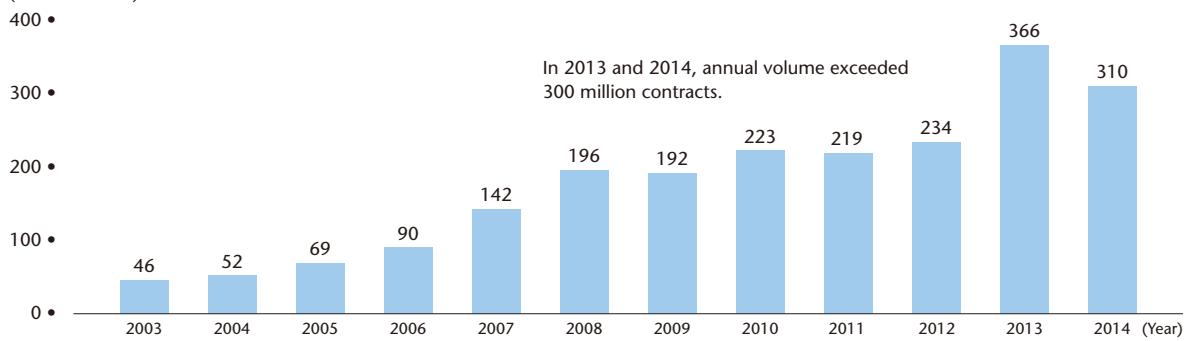
### Derivatives Product Lineup

Osaka Exchange	
Equity Index Futures	<ul style="list-style-type: none"> <li>• JPX-Nikkei Index 400 Futures (Large/mini)</li> <li>• Nikkei 225 Futures (Large/mini)</li> <li>• TOPIX Futures (Large/mini)</li> <li>• TSE REIT Index Futures</li> <li>• RN Prime Index Futures</li> <li>• TOPIX Core30 Futures</li> <li>• TOPIX Banks Index Futures</li> </ul>
Foreign Index Futures	<ul style="list-style-type: none"> <li>• DJIA Futures</li> <li>• CNX Nifty Futures</li> </ul>
Other Index Futures	<ul style="list-style-type: none"> <li>• Nikkei 225 VI Futures</li> <li>• Dividend Index Futures (Nikkei 225/TOPIX/TOPIX Core30)</li> </ul>
JGB Futures	<ul style="list-style-type: none"> <li>• JGB Futures (5-year/10-year/20-year)</li> <li>• mini 10-year JGB Futures</li> </ul>
Equity Index Options	<ul style="list-style-type: none"> <li>• Nikkei 225 Options</li> <li>• TOPIX Options</li> </ul>
Options on JGB Futures	<ul style="list-style-type: none"> <li>• Options on 10-year JGB Futures</li> </ul>
Individual Options	

\* As of Aug. 2015

### Annual Derivatives Trading Volume on OSE

(Million contracts)



## Next-Generation J-GATE\* System to Increase Convenience and Expand the Product Lineup

An extremely important factor in exchange competitiveness is how well exchange systems meet the demands of market participants. A major step JPX is currently taking is the development of its next-generation J-GATE system that will support the expansion of the derivatives market. J-GATE is scheduled to go into operation in mid-2016, and the new system will offer better processing capacity and facilitate the introduction of new products, systems, and functions.

For example, new products to be introduced are a stock index for the Mothers market, where new, emerging companies are listed, and options contracts on the JPX-Nikkei Index 400.

Another initiative will be to extend trading hours. Night sessions will be extended to 5:30 on the next day (currently, 3:00), and the start of the day session for index futures trading (except for Nikkei 225 VI futures) will be moved up to 8:45 (currently, 9:00).

Through measures such as these, JPX is working to substantially increase convenience for market participants and increase market liquidity.

\* Name of the derivatives trading system

## Provision of Derivatives System Services

Agreement was reached between Tokyo Commodity Exchange Inc. (TOCOM) and Osaka Exchange for Osaka Exchange to provide services to TOCOM, including those related to the derivatives system, and a service contract was concluded in December 2014. Bringing both exchanges onto a common trading platform will improve access to the Japanese market, especially for overseas investors, and is expected to increase convenience and lower costs for market participants as a whole.

## Broadening of the Investor Base

Another important factor in the expansion of the derivatives market is the broadening of the investor base.

JPX continues to strengthen its activities to attract new overseas investors to the Japanese market. On the other hand, many in Japan hold the idea that derivatives are complex instruments. To change this view, it will be necessary to conduct activities, with a view to the long term, to increase social awareness and understanding of derivatives. JPX will, therefore, actively provide information suited to the needs of two market segments, domestic financial institutions and individual investors, and work to expand the domestic investor base for derivatives.

## Increase in Night Session Trading



**Development and Introduction of New Derivatives**  
Nikkei 225 Weekly options listed (May 25, 2015)  
JPX-Nikkei Index 400 futures listed (Nov. 25, 2014)

**Consideration of Further Expanding the Product Lineup Using the Next-Generation J-GATE System**  
Decision on products to be introduced and outline of systems when the next-generation J-GATE system begins operations (mid-FY2015)  
Toward next-generation J-GATE system launch in mid-2016, full-scale preparations will begin, and further expansion of the product lineup will be considered (FY2015).

**Entry into the Commodities Business**  
Continuing coordination efforts aimed at entry into the commodities business

**Initiatives to Broaden the Investor Base**

<b>Overseas investors:</b>	<ul style="list-style-type: none"> <li>Marketing activities targeted at attracting new investors</li> <li>Improvements to the market maker system</li> </ul>
<b>Domestic financial institutions, etc.:</b>	<ul style="list-style-type: none"> <li>Strengthen day-to-day communication through demand surveys, etc.</li> <li>Providing information at seminars and other venues</li> </ul>
<b>Individual investors:</b>	<ul style="list-style-type: none"> <li>Activities to educate and enlighten through the JPX website, seminars, and other initiatives</li> </ul>

**Campaign to raise public awareness**

Renovation of tour facilities, etc.	OSE futures and options simulator
Dr. Kitahama's derivatives classroom	JPX Academy, lectures at universities

# Expanding Our Exchange Business Fields

## Building Our OTC Clearing Business

### Enhancing Competitiveness in OTC Derivatives Clearing

Japan Securities Clearing Corporation (JSCC), part of the JPX corporate group, fulfills two important roles as a clearinghouse. First, it provides a safe environment for trading equities and derivatives by standing between counterparties to transactions and assuming counterparty risk (assumption of obligations) so that the parties need not worry about each other's credit risk. Second, it facilitates efficient settlement of the large volumes of trades taking place in the market by netting those transactions, which involves offsetting the buy and sell volumes of securities and payments between counterparties such that only the difference is settled.

JSCC has provided clearing services for transactions in listed equities and derivatives for many years, and, in addition to these services, it also began providing clearing for CDS transactions from July 2011 and interest rate swaps (IRS) from October 2012, as well as OTC trading of JGBs from October 2013. The use of

yen-denominated IRS clearing, in particular, gained traction immediately after the services were launched, and JSCC now clears between ¥2 trillion and ¥3 trillion in transactions daily.

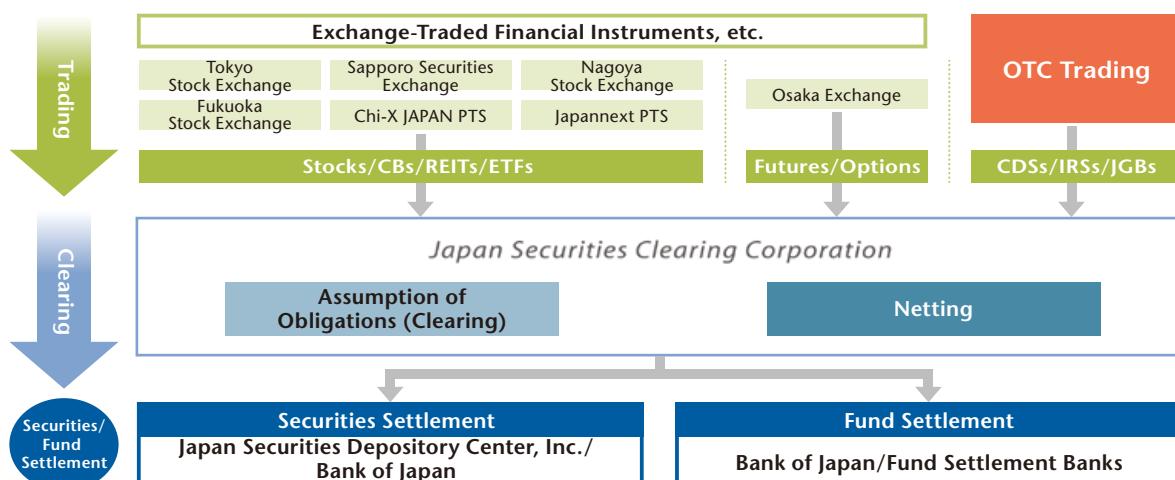
### Expanding Use of OTC Derivatives Clearing

The use of OTC derivatives clearing services is thus expanding apace, and we expect competition from overseas clearinghouses. By further enhancing its OTC derivatives clearing services, JSCC seeks to sharpen its competitive edge while also expanding its fields of business.

Specifically, from September 2015, JSCC will introduce cross-margining between yen-denominated interest rate-related instruments to offset risks and reduce collateral obligations, and will also introduce foreign currency-denominated interest rate swap transactions and the like. It will also offer services on par with foreign clearinghouses by means including greater use of trade compression (a process that reduces outstanding positions).

In this manner, JSCC will continue to expand its fields of business while also providing greater convenience for market participants.

### Provision of Clearing Function



### Expanding Use of OTC Derivatives Clearing

- Facilitate use of yen-denominated interest rate swaps by raising service offerings to global level and other means.
- Introduce cross-margining for yen-denominated interest rate-related instruments, introduce foreign currency-denominated interest rate swaps, etc. [Sep. 2015]
- Provide services on par with competing clearinghouses, such as by expanding use of trade compression [FY2015]

## Gearing Up for Further Strides by Diversifying Business Foundations

### Gearing Up for Further Strides—Bolstering International Competitiveness

JPX expects to complete work on its organizational foundations associated with the merger as planned. This includes the organizational restructuring within the corporate group, rationalization of business bases, and integration of core systems, matters that JPX has been working on since its establishment.

Looking beyond its current medium-term management plan, which runs through to the end of FY2015, JPX is set to embark on the next chapter to bolster its international competitiveness, the objective of the merger.

### Business Diversification Is Key

JPX is already working to expand the derivatives market and expand its exchange business into new fields, but it currently relies heavily on business involving Japanese equities, and earnings are thus structurally susceptible to trends in the market environment. In

addition to appropriate cost control, ongoing efforts to diversify business in areas suitable to leverage JPX's information assets, know-how, and the like will also be crucial to business diversification.

In April 2015, we laid the systemic groundwork for the establishment of a listed infrastructure market. In the future, we will be working to see attractive investment products listed. The TOKYO PRO-BOND Market, via which we are seeking to tap new issuers and investors, now has a track record of bond issuances by several foreign financial institutions from Malaysia and elsewhere, as well as foreign currency-denominated bonds by the Tokyo metropolitan government and Mizuho Bank.

In terms of where we are headed in the future, we will continue to pursue expansion of our overseas business, including via forays into new business and exporting systems and infrastructure, and expanding our derivatives business in new asset classes. As it is also important to strengthen the organization in step with such moves to diversify our business, we are also working to develop and recruit the necessary personnel and embrace employee diversity.

### Entry into New Business Fields

Consider taking on new business models amenable to JPX's strengths, including its information assets, specialist knowledge, and customer network.

Develop swiftly concrete plans for entry into new fields. Consider M&A and joint ventures to acquire necessary know-how and expedite the process.

#### Expansion of Overseas Business

Strengthen alliances and grow business opportunities in ASEAN countries through technical support, infrastructure exports, and providing opportunities to invest in Japanese products.

Position China business as a core strategy and, for now, bring more China-related products to Japan, and, vice versa, cultivate investor demand.

#### Expansion of Derivatives Business

Besides commodities, also consider broadening the derivatives lineup toward interest rate and currency product segments.

#### Strengthening the Organization for Business Expansion

Cultivate international and highly skilled staff, embrace diversity, and reform corporate culture to strengthen and poised the organization for entry into new fields and overseas expansion.

# Self-Regulatory Operations

## Maintaining Investor Confidence in Financial Markets

### Acting as the Exchange's Quality Control Center

Under the JPX corporate umbrella, Tokyo Stock Exchange and Osaka Exchange are Japan's preeminent markets, covering an overwhelming market share across a broad array of financial instruments. Japan Exchange Regulation (JPX-R) acts as a self-regulatory body for both exchanges, dedicated to maintaining financial market transparency and fairness so as to ensure investors are able to trade financial instruments with confidence—in short, it acts as a quality control center. JPX-R is a highly specialized body that works closely with both exchanges while maintaining independence as a separately incorporated entity and, thus, performing its self-regulatory work from a neutral position.

JPX-R maintains market quality through self-regulatory work that comprises listing examinations to determine the eligibility of prospective listed companies, listed company compliance operations to monitor information disclosure and corporate behavior, market surveillance to monitor the market for unfair trading activity, and inspections and examinations of trading participants, such as dealer-brokers, to ensure the soundness of their operations.

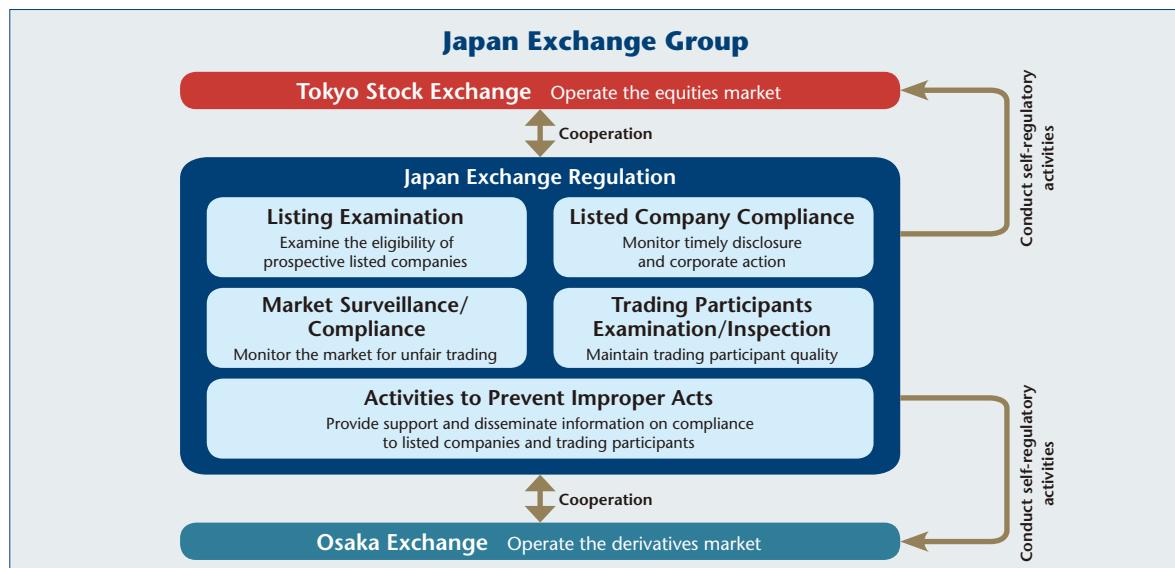
### Adapting to Changes in the Market Environment

The market environment is constantly changing at a bewildering pace. Ensuring proper self-regulation means constantly keeping pace with new financial

instruments and trading methods and adapting to these developments. As it adapts to ongoing change, JPX-R will place priority on maintaining dialogue with trading participants and listed companies and coordinating with domestic and overseas regulators and associated bodies.

- **Responding to the spread of algorithmic trading and HFT<sup>1</sup>**

Algorithmic trading and HFT have grown in recent years, reflecting ongoing technological innovation related to investment and fund management amid spectacular advances in information processing and communications technology. Faced with these developments, JPX-R works to ensure that the broad spectrum of investors in the markets, including individuals, is able to trade with confidence through activities that include inspecting trading participants' order management systems for proper implementation and employing advanced computer systems to monitor for unfair trading. With respect to the latter in particular, JPX-R works tirelessly to expand and enhance its systems' functional capabilities in response to the changing market environment by, for example, adding and adjusting markers of suspect trades, which act as a first step in investigating unfair trading, and continually enhancing its systems to cope with the increasingly high-speed, high-frequency execution of trades. JPX-R also plans to put a new system capable of analysis of even greater granularity into operation in September 2015. Until now, JPX-R has set up specialist teams composed of staff with deep knowledge of such areas as financial engineering, derivatives, and IT to investigate trade monitoring methods relating to algorithmic trading and HFT on



an ongoing basis. Going forward, it will also pursue projects in collaboration with external bodies.

Note: 1. HFT: High-frequency trading

#### • Principles of Equity Finance

Cases of equity financing with the potential to be detrimental to shareholders and investors in recent years prompted JPX-R to publish its *Principles of Equity Finance* in October 2014. The publication addresses events comprising several separate actions that, while not contravening laws and regulations, when taken together have the potential to be detrimental to the interests of shareholders and investors. It was prepared in the belief that, in addition to the conventional rules-based approach, a principles-based approach—one that encourages listed companies and market participants to independently act in accord with a shared set of important values and principles—would also be effective. The publication clearly sets out four principles relating to concepts such as the enhancement of corporate value and the interests of existing shareholders.

Since releasing the publication, JPX-R has also focused on taking advantage of myriad opportunities to promote awareness, such as the publication of case studies to explain the principles in practice, communication with relevant organizations and bodies, seminars and lectures, and contributions to other publications.

#### Principles for Equity Financing

<b>1. Contribute to improving corporate value.</b>	<ul style="list-style-type: none"> <li>It is rationally expected that the raised capital will be effectively utilized and will contribute to better profitability of the issuing company based on the stated purpose of raising funds, plan for the allocation of raised funds, past achievements of raised funds, and business performance forecast. In addition, the company's business results, financial status, and management performance shall not lead to doubts over the above-mentioned prospects.</li> <li>After conducting equity financing, the company can be expected to improve corporate value in a sustainable manner through sound management.</li> </ul>
<b>2. Not unfairly damage existing shareholders' interests.</b>	<ul style="list-style-type: none"> <li>The scheme, timing, and terms and conditions of the equity financing shall sufficiently consider the degree of dilution to existing shareholdings and the impact on the secondary market, and existing shareholders shall be provided with an adequate explanation of the rationale.</li> </ul>
<b>3. Not be detrimental to trust and fairness in the market.</b>	<ul style="list-style-type: none"> <li>Entities that seek to obtain gains by unfair methods and their collaborators shall be prevented from participating in the capital market.</li> <li>Equity financing scheme shall not be designed to obtain unfair gains through a combination of individual transactions that do not immediately constitute a violation of rules, regulations, and exchange rules.</li> </ul>
<b>4. Be transparent with timely and appropriate disclosure of information.</b>	<ul style="list-style-type: none"> <li>Disclosure shall be conducted with appropriate timing and shall consist of contents that are true and consistent, cover sufficient scope, and present understandable and concrete explanations, so as to provide shareholders and investors with useful information for making investment decisions.</li> <li>After conducting equity financing, the issuing company shall be able to justify that the disclosed contents at the time of issuance were appropriate.</li> </ul>

#### • Working to Ensure the Quality of New Listings

The latter half of FY2014 saw a string of incidents with potential to damage shareholder and investor confidence in the IPO process, such as improper trading by management personnel at IPO issuers and major downward revisions to earnings forecasts immediately after listing. In light of this, from March 2015, JPX-R implemented measures to ensure the quality of new issues.

In response to improper trading by members of management, JPX-R has tightened the listing examination process, including priority checks of trades involving or initiated by management personnel, interviews with management, outside directors, and other personnel, and verification of internal checking mechanisms. It also continues to hold seminars with objectives that include educating management, outside directors, and other personnel about their responsibilities and roles vis-à-vis IPOs and preemptively preventing inappropriate trading and other improper actions.

In relation to large downward revisions to earnings forecasts immediately after listing, JPX-R has identified the problem as a lack of information available ahead of time that would have satisfied investors as to the reasons for the revisions, and, as such, it now requires issuers to disclose their assumptions and the basis of those assumptions when releasing earnings forecasts. When issuers revise their earnings forecasts, they are required to carefully explain any changes from previously disclosed assumptions and the basis for the new assumptions.

JPX-R has also communicated this to, and requested the cooperation of, IPO lead managers and auditors, which act as gatekeepers to the securities markets.

#### Supporting Compliance of Issuers and Trading Participants

JPX-R also provides support for the establishment of compliance systems by issuers and trading participants. Specifically, this includes holding seminars on insider trading restrictions and so forth, providing instructors for in-house internal training sessions, and supplying e-learning materials. JPX-R will continue to expand the scope of these activities ahead as it works to enhance awareness among those involved in the market.<sup>2</sup>

Note: 2. Refer to Page 51.



# Asia Strategy

## Building Relationships for Long-term Growth with Asia

### Helping to Build Markets

The world continues to hold high expectations for ASEAN as an engine of global growth. However, the extent of development of its securities markets, the drivers of economic growth, varies across the region. The task of building a capital market still lies ahead for some countries, one being Myanmar. JPX is working with the country's government to prepare for the establishment and operational launch of the Yangon Stock Exchange. We have stationed personnel in Myanmar who are knowledgeable in the various areas of operations to provide on-site support in tasks such as drafting rules and regulations, listing examinations, and system development. JPX has amassed its market operating expertise over a long history spanning more than 130 years, and its track record is internationally recognized. We hope to build a relationship of trust that will enable us to utilize this know-how and continue to collaborate as a business partner long after the exchange goes into operation.

We have also received requests for support to strengthen the functional capabilities and further develop securities markets in other countries. We hope to take advantage of such opportunities to pave the way for JPX to capitalize on business opportunities in ASEAN.

### Using Japan's Market Functions to Supply Capital

A growing Asia has an immense appetite for capital. Japan, meanwhile, is home to an enormous amount of financial assets. Using Japan's market functions to bring these two needs together has the potential to contribute greatly to Asian economic growth. TSE's TOKYO PRO-BOND Market allows for flexible capital raising by making it easy for foreign issuers to issue bonds by, for example, accepting disclosure in English. By strengthening promotional efforts aimed at Asian issuers and professional investors among other means, JPX will continue to enhance access to capital through the TOKYO PRO-BOND Market.

### Asia Strategy—Creating Business Opportunities in Asia

#### Supporting Establishment of Exchange in Myanmar

Speeding up efforts to support rule formation, etc., toward establishing the Yangon Stock Exchange and launching trading operations (during 2015)

#### Supplying Capital via TOKYO PRO-BOND Market

Stepping up promotional efforts aimed at Asian issuers and professional investors to spur the listing of bond issues aimed at professional investors

#### Exporting Infrastructure to ASEAN/Elsewhere

Efforts so far have yielded an increase in actual projects. We continue to support the operation of exchanges in ASEAN nations and elsewhere.

Support for formation of derivatives clearing system, etc., in Vietnam (Feb. 2016)

#### Bolstering China Strategy

In light of growing securities investment demand between Japan and China, we are promoting the listing of China-related instruments.



# Corporate Governance

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# Corporate Governance

## Fundamental Approach

JPX's mission is to serve as Japan's central financial instruments market—a vital element of public infrastructure. Through the fulfillment of the missions of its financial instruments exchange and self-regulatory subsidiaries, JPX seeks to secure stable income while maintaining the balance between its public nature and profitability.

Our fundamental approach to corporate governance is closely linked with the provision of a highly liquid and reliable securities market, and based on the following principles:

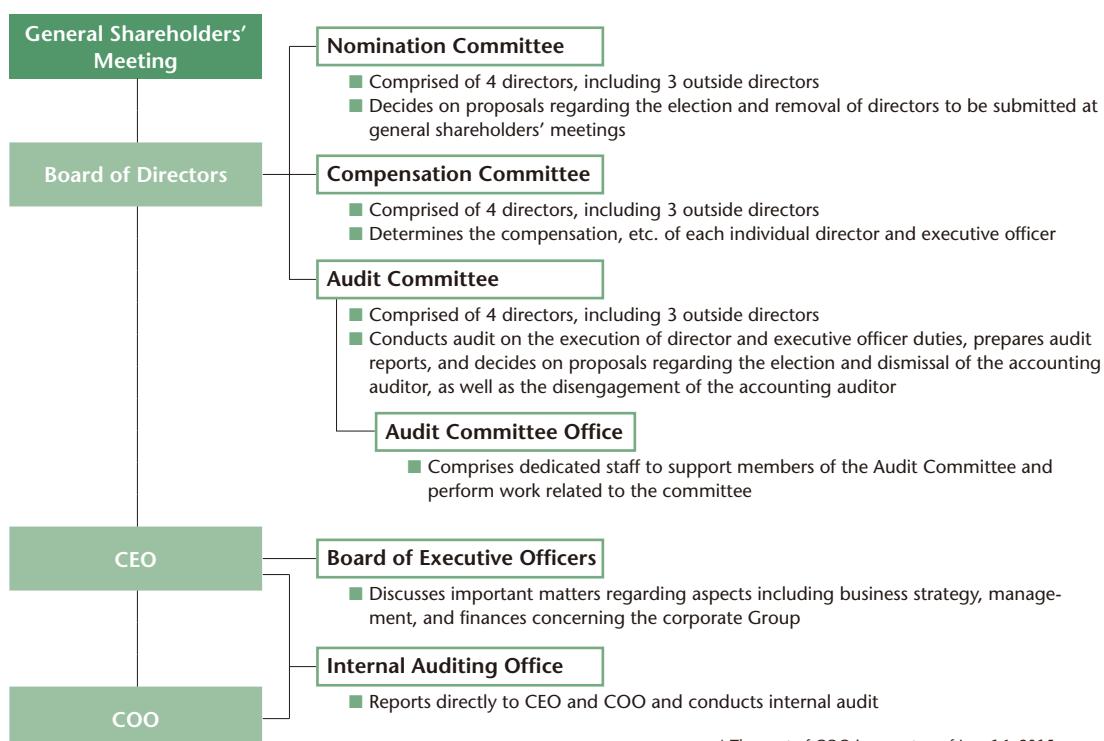
- Increase management transparency by clarifying authorities and responsibilities of each corporate body, and ensuring accountability;
- Reflect the opinions of investors and a wide variety of stakeholders in management and market operations; and
- Provide proper self-regulation functions by ensuring impartial decision making free from the influence of particular stakeholders.

## Adoption of Company with Nomination and Other Committees System

JPX acknowledges the need to further increase accountability to shareholders and other stakeholders and has adopted a company with nomination and other committees system in order to further enhance corporate governance by clearly segregating the management supervisory/oversight function and the business execution function and strengthening supervision/oversight and raising the transparency of management.

Specifically, we have established three committees comprising mainly outside directors—a legally specified Nomination Committee, Compensation Committee, and Audit Committee. JPX has designated executive officers responsible for executing business activities to ensure separation of management oversight and business execution functions.

## Corporate Governance System at Japan Exchange Group, Inc.



\* The post of COO is vacant as of Jun. 16, 2015.

## Board Composition and Meetings

The supervisory and oversight function is centered on the Board of Directors, comprising 13 members, including two female members. To increase management transparency and accountability, as well as enhance oversight of the appropriateness of business execution, the majority of board members are outside directors. The roles of the Chairman of the Board of Directors are performed by a director without responsibilities for execution of business.

Meetings of the Board of Directors are held on a regular basis. The board makes decisions on basic management policies and important management matters, and oversees business execution by executive officers.

### Matters Regarding Organizational Structure and Operations

Directors
No. of directors in the Articles of Incorporation
Term of directorship in the Articles of Incorporation
No. of directors

Outside Directors
No. of outside directors
No. of outside directors appointed as independent directors/auditors

## Highly Independent Outside Directors Occupy Majority of the Board

Of the nine outside directors, four hold cross-appointments with other listed companies. One is a legal professional, one is a certified public accountant, one is an academic, one is a former government official, and one is a former law enforcement official. Each director has considerable experience and insight in their various fields, and contributes to a structure that allows external perspectives to be readily incorporated into company management.

The majority of board members are outside directors, satisfying the requirements as independent directors/auditors<sup>1</sup> as defined by Tokyo Stock Exchange, Inc., to represent and protect the interests of general shareholders.

Note 1: Independent directors are outside directors or outside auditors who have no conflicts with the interests with shareholders.

Name	Attribute
Hiroki Tsuda	Other
Christina Ahmadjian	Academic
Tsutomu Okuda	From other company
Hideaki Kubori	Attorney-at-law
Shigetaka Sato	From other company

Name	Attribute
Michiko Tomonaga	Certified public accountant
Katsuhiko Honda	From other company
Tsuyoshi Yoneda	Other
Charles Ditmars Lake II	From other company

### Main activities of outside directors

- No. of board meetings held in fiscal year ended March 31, 2015: 11
- Participation in board meetings: 93%      • Participation in committee meetings: 90%

## Director Remuneration

Director, executive officer, and auditor remuneration comprises basic salary, bonus, and company stock, and is determined by the Compensation Committee. Basic salary is consideration for daily business execution and participation in management commensurate with each position and its duties. Bonuses are an incentive for improving corporate performance for a fiscal year. The total amount of bonus is determined based on corporate performance, which is then distributed to each executive officer based on the degree of contribution. Company stock is an incentive for raising medium-to-long term corporate value and is an amount commensurate with each position and its duties that is allocated to purchasing company shares. The total amounts paid to directors and executive officers in FY2014 were as follows.

### Compensation Paid to Directors and Executive Officers

Classification	No. of Recipients	Amount Paid (Millions of yen)
Directors (of which outside directors)	11 (9)	95 (42)
Executive officers	10	451

\* Persons serving as both directors and executive officers do not receive compensation as directors.

## Board of Directors

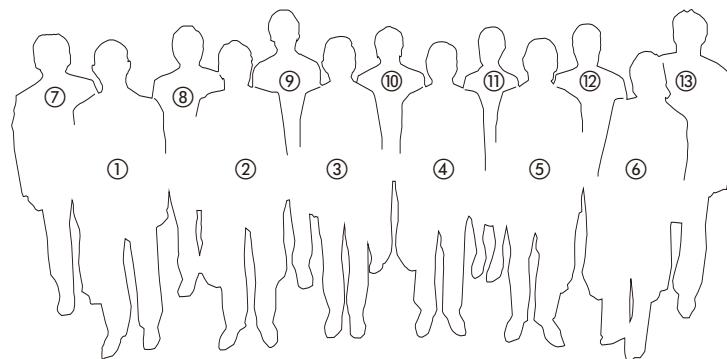


From the left in the front row

- ① Tsutomu Okuda ② Hiromi Yamaji ③ Akira Kiyota ④ Hiroki Tsuda  
⑤ Koichiro Miyahara ⑥ Christina Ahmadjian

From the left in the back row

- ⑦ Masayuki Hirose ⑧ Tsuyoshi Yoneda ⑨ Shigetaka Sato ⑩ Hideaki Kubori  
⑪ Michiko Tomonaga ⑫ Katsuhiko Honda ⑬ Charles Ditmars Lake II



**Director (Chairperson of the Board of Directors), Independent Director, Outside Director****Hiroki Tsuda**

Apr. 1972 Joined Ministry of Finance  
 Aug. 2002 Director-General, Tokyo Customs  
 Jan. 2003 Deputy Vice Minister for Policy Planning and Co-ordination  
 Jul. 2004 Deputy Vice Minister  
 Jul. 2006 Director-General of the Budget Bureau  
 Jul. 2007 Administrative Vice Minister of Finance  
 Sep. 2008 Professor, Graduate School of Public Management, Waseda University  
 Jun. 2015 Outside Director of the Company (current position), Chairperson of the Board of Directors (current position)

**Area of Responsibility:** Chairperson of the Board of Directors**No. of Company shares held:** 0 shares**Director****Hiromi Yamaji**

Apr. 1977 Joined The Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)  
 Jun. 1998 Member of the Board in charge of Investment Banking Products Division  
 Jun. 2000 Managing Director, Head of Global Investment Banking Division  
 Apr. 2002 President & CEO, Nomura Europe Holdings plc (London) and Chairman, Nomura Holding America Inc. (New York)  
 Apr. 2007 Executive Vice President, Global Investment Banking, in charge of Corporate Finance Division, Nomura Securities Co., Ltd.  
 Jun. 2013 Director of the Company (current position)  
 President & CEO, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) (current position)

**Significant Concurrent Position:** President & CEO, Osaka Exchange, Inc.**No. of Company shares held:** 2,400 shares**Director, Independent Director, Outside Director****Hideaki Kubori****Member of the Nomination Committee**

Apr. 1971 Registration as attorney-at-law (current position), Joined Mori Sogo (currently Mori Hamada & Matsumoto)  
 Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)  
 Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, Japan Federation of Bar Associations  
 Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc., Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) (current position)

**Director & Representative Executive Officer, Group CEO**  
**Akira Kiyota**

Chairman of the Nomination Committee	Member of the Compensation Committee
--------------------------------------	--------------------------------------

Apr. 1969 Joined Daiwa Securities Co., Ltd. (currently Daiwa Securities Group Inc.)  
 Oct. 1997 Deputy President  
 Apr. 1999 President, Daiwa Securities SB Capital Markets Co., Ltd. (currently Daiwa Securities Co., Ltd.)  
 Jun. 2008 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.  
 Apr. 2011 Director and Honorary Chairman  
 Jun. 2011 Honorary Chairman  
 Jun. 2013 Director of the Company President & CEO, Tokyo Stock Exchange, Inc.  
 Jun. 2015 Director & Representative Executive Officer, Group CEO of the Company (current position)  
 Director, Tokyo Stock Exchange, Inc. (current position)

**Area of Responsibility:** Group CEO  
**Significant Concurrent Position:** Member of the Board of Directors, Tokyo Stock Exchange, Inc.  
**No. of Company shares held:** 3,300 shares**Director**  
**Koichiro Miyahara**

Member of the Nomination Committee	Chairman of the Compensation Committee
------------------------------------	--

Apr. 1979 Joined Electric Power Development Co., Ltd.  
 Apr. 1988 Joined Tokyo Stock Exchange  
 Jun. 2002 Director, General Administration Department, Tokyo Stock Exchange, Inc.  
 Jun. 2004 Director, Information Services Department  
 Jun. 2005 President, Representative Director, ICJ, Inc.  
 Dec. 2005 Executive Officer, Tokyo Stock Exchange, Inc.  
 Oct. 2007 Standing Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)  
 Jun. 2009 Senior Executive Officer, Tokyo Stock Exchange Group, Inc.  
 Jan. 2013 Senior Executive Officer of the Company  
 Senior Executive Officer, Tokyo Stock Exchange, Inc.  
 Jun. 2014 Executive Vice President of the Company  
 Jun. 2015 Director of the Company (current position)  
 President & CEO, Tokyo Stock Exchange, Inc. (current position)

**Significant Concurrent Position:** President & CEO, Tokyo Stock Exchange, Inc.  
**No. of Company shares held:** 5,800 shares**Director, Independent Director, Outside Director****Tsutomu Okuda**

Member of the Nomination Committee	Chairman of the Compensation Committee
------------------------------------	--

Jan. 1995 Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)  
 Oct. 2001 Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University  
 Jan. 2004 Professor, Graduate School of International Corporate Strategy  
 Apr. 2010 Dean, Graduate School of International Corporate Strategy  
 Apr. 2012 Professor, Graduate School of Commerce and Management (current position)  
 Jun. 2014 Outside Director of the Company (current position)

**Significant Concurrent Positions:** Professor, Graduate School of Commerce and Management, Hitotsubashi University  
 Outside Director, Mitsubishi Heavy Industries, Ltd.  
**No. of Company shares held:** 0 shares

Jan. 2013 Outside Director of the Company (current position)  
 Apr. 2015 Professor, Toin Law School (current position)

**Significant Concurrent Positions:** Outside Governor, Japan Exchange Regulation, Attorney-at-law Representative, HIBIYA PARK LAW OFFICES Outside Director, SOURCENEXT CORPORATION Professor, Toin Law School Member of the Supervisory Committee, The Norinchukin Bank  
**No. of Company shares held:** 0 shares

## Board of Directors

### Director, Independent Director, Outside Director

#### Shigetaka Sato

Member of the  
Compensation Committee

Apr. 1965 Joined Keihan Electric Railway Co., Ltd.  
Jun. 2001 Representative Director, President  
Jun. 2007 Representative Director, CEO, Chairman of Board of Director  
Mar. 2010 Chairman, Osaka Chamber of Commerce and Industry (current position)  
Jun. 2011 Director and Corporate Counselor, Keihan Electric Railway Co., Ltd. Chairman of Board of Director  
Jun. 2013 Advisory Council (current position)  
Jun. 2015 Outside Director of the Company (current position)  
**Significant Concurrent Positions:** Advisory Council, Keihan Electric Railway Co., Ltd. Outside Corporate Auditor, ASAHI KOGYOSHA CO., LTD. Chairman, Osaka Chamber of Commerce and Industry  
Outside Corporate Auditor, Asahi Broadcasting Corporation  
Outside Director, Mitsubishi Tanabe Pharma Corporation  
**No. of Company shares held:** 0 shares

### Director, Independent Director, Outside Director

#### Michiko Tomonaga

Chairman of the  
Audit Committee

Apr. 1972 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)  
Mar. 1975 Registration as Certified Public Accountant (current position)  
Jul. 2007 Vice President, Japanese Institute of Certified Public Accountants  
Jul. 2008 Senior Partner, Ernst & Young ShinNihon LLC  
Jun. 2014 Outside Director of the Company (current position)  
**Significant Concurrent Positions:** Outside Corporate Auditor, Keikyu Corporation  
Outside Corporate Auditor, NIPPON TELEGRAPH AND TELEPHONE CORPORATION  
**No. of Company shares held:** 0 shares

### Director Masayuki Hirose

Member of the Audit Committee

Apr. 1979 Joined Tokyo Stock Exchange  
Jun. 2003 Director, Examination Department, Tokyo Stock Exchange, Inc.  
Jun. 2004 Director, Information System Department  
Apr. 2006 Director, IT Planning Department  
Jun. 2006 Director, IT Planning Department and Director, Trading Systems, Development Operations Department  
Aug. 2007 Director, IT Planning Department, Tokyo Stock Exchange Group, Inc. Director, Trading Systems, IT Development Department, Tokyo Stock Exchange, Inc.  
Jan. 2009 Director, Tdex+ System, IT Development Department and Director, IT Management Office, Tokyo Stock Exchange, Inc.  
Jun. 2009 Director, Tokyo Stock Exchange Group, Inc. Statutory Corporate Auditor, Tokyo Stock Exchange, Inc. (current position)  
Jan. 2013 Director of the Company (current position)  
**Significant Concurrent Positions:** Statutory Corporate Auditor, Tokyo Stock Exchange, Inc. Chairperson, Public Interest Incorporated Association, Japan Audit & Supervisory Board Members Association  
**No. of Company shares held:** 0 shares

### Director, Independent Director, Outside Director

#### Katsuhiko Honda

Member of the  
Nomination Committee

Apr. 1965 Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)  
Jun. 1992 Director, General Manager, Human Resources  
Jun. 1994 Managing Director and Leader, Personnel and Labor Group  
Jun. 1995 Managing Director, Tobacco Business Headquarters  
Jun. 1996 Senior Managing Director, Tobacco Business Headquarters  
Jun. 1998 Executive Deputy President and Representative Director  
Jun. 2000 President and Representative Director  
Jun. 2006 Member of the Board, Corporate Counselor  
Jun. 2009 Outside Director, Tokyo Stock Exchange Group, Inc., Outside Director, Tokyo Stock Exchange, Inc., Corporate Counselor, Japan Tobacco Inc.  
Jun. 2012 Corporate Advisor (current position)  
Jan. 2013 Outside Director of the Company (current position)  
**Significant Concurrent Positions:** Corporate Advisor, Japan Tobacco Inc. Member of the Board of Governors, Japan Broadcasting Corporation  
**No. of Company shares held:** 0 shares

### Director, Independent Director, Outside Director

#### Tsuyoshi Yoneda

Member of the Audit Committee

Apr. 1976 Joined National Police Agency  
Jul. 1997 General Manager, Wakayama Prefectural Police Headquarters  
Sep. 2001 General Manager, Criminal Affairs Department, Metropolitan Police Department  
Aug. 2003 General Manager, Kyoto Prefectural Police Headquarters  
May 2005 General Manager, Organized Crime Department, National Police Agency  
Sep. 2007 Commissioner, Criminal Affairs Bureau  
Jun. 2009 Commissioner-General's Secretariat  
Oct. 2011 Deputy Directors-General  
Jan. 2013 Commissioner General  
Jan. 2015 Retired  
Jun. 2015 Outside Director of the Company (current position)  
**No. of Company shares held:** 0 shares

### Director, Independent Director, Outside Director

#### Charles Ditmars Lake II

Member of the  
Compensation Committee

Aug. 1992 Director for Japan Affairs, Office of the U.S. Trade Representative (USTR), Executive Office of the President  
Jul. 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative  
Jun. 1999 Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (Aflac Japan)  
Jul. 2001 Deputy President  
Jan. 2003 President and Representative in Japan  
Apr. 2005 Vice Chairman and Representative in Japan  
Jun. 2006 Outside Director, Tokyo Stock Exchange, Inc.  
Aug. 2007 Outside Director, Tokyo Stock Exchange Group, Inc.  
Jul. 2008 Representative and Chairman, Aflac Japan (current position)  
Jan. 2013 Outside Director of the Company (current position)  
Jan. 2014 President, Member of the Board of Directors, Aflac International Incorporated (current position)  
**Significant Concurrent Positions:** Representative and Chairman, Aflac Japan President, Member of the Board of Directors, Aflac International Incorporated  
**No. of Company shares held:** 0 shares

## Management Team

### Japan Exchange Group, Inc.

Akira Kiyota <b>Director &amp; Representative Executive Officer, Group CEO</b>	Hiroyuki Shibuya <b>Senior Executive Officer &amp; CIO</b> IT Planning	Yoshinori Karino <b>Senior Executive Officer</b> IT Planning
Moriyuki Iwanaga <b>Senior Executive Officer &amp; CFO</b> Treasury and Investor Relations	Isao Hasegawa <b>Executive Officer</b> General Administration	Satoshi Futagi <b>Executive Officer</b> Human Resources and Corporate Communications
<b>Takeshi Hirano</b> <b>Executive Officer</b> Corporate Strategy		

### Tokyo Stock Exchange, Inc.

Koichiro Miyahara <b>President &amp; CEO</b>	Hiroyuki Shibuya <b>Senior Executive Officer</b> IT Administration and IT Development (Equities and Information)	Kiyoyuki Tsuchimoto <b>Senior Executive Officer</b> Equities and Market Participants Relations	Masaki Shizuka <b>Senior Executive Officer</b> Listing
Akira Kiyota <b>Director (part-time)</b>	Takashi Moriya <sup>1</sup> <b>Standing Statutory Auditor</b>	Katsushi Kuroda <sup>1</sup> <b>Statutory Auditor</b>	Atsushi Shimizu <sup>1</sup> <b>Statutory Auditor</b>
Masayuki Hirose <b>Statutory Auditor</b>	Moriyuki Iwanaga <b>Senior Executive Officer</b> Clearing & Settlement	Yasuyuki Konuma <b>Executive Officer</b> New Listings and Market Business Development	Ryusuke Yokoyama <b>Executive Officer</b> IT Administration, IT Development (Clearing) and IT Services
Yoshihiro Isaka <b>Executive Officer</b> Information Services	Masayuki Murata <b>Executive Officer</b> New Listings	Isao Hasegawa <b>Executive Officer</b> General Administration	Note 1. Outside

### Osaka Exchange, Inc.

Hiromi Yamaji <b>President &amp; CEO</b>	Kotaro Yamazawa <b>Senior Executive Vice President</b>	Yoshinori Karino <b>Senior Executive Officer</b> IT and Next Derivatives Trading System Development	Masahiko Maruyama <b>Standing Statutory Auditor</b>
Hiroshi Iwaki <sup>1</sup> <b>Statutory Auditor</b>	Yasuhiko Ogawa <sup>1</sup> <b>Statutory Auditor</b>	Hiroyuki Shibuya <b>Senior Executive Officer</b> IT	Yoshihiro Isaka <b>Executive Officer</b> Information Services
Hiroyasu Ichimoto <b>Executive Officer</b> Market Business Development and Market Operations	Tatsuya Kamiki <b>Executive Officer</b> Market Operations	Isao Hasegawa <b>Executive Officer</b> General Administration	Note 1. Outside

### Japan Exchange Regulation

Takafumi Sato <sup>1</sup> <b>President</b>	Yasushi Suzuki <b>Standing Governor</b> Listing Examination / Listed Company Compliance	Hiroyuki Matsuzaki <b>Standing Governor</b> Trading Participants Examination and Inspection / Market Surveillance and Compliance / General Administration
Hideaki Kubori <sup>1</sup> <b>Governor</b>	Shigeo Sasaki <sup>1</sup> <b>Governor</b>	Koichi Masuda <sup>1</sup> <b>Governor</b>
Taro Takeda <b>Standing Auditor</b>	Takashi Moriya <sup>1</sup> <b>Auditor</b>	Note 1. Outside

# Interviews with Outside Directors

## Q1 How do you think JPX should contribute to society?

All companies have two social roles to perform. One is to increase corporate value in the medium-to-long term to meet the expectations of shareholders and investors. The other is to fulfill their public and social mission. These roles are not necessarily mutually conflicting or contradictory, and it is important for companies to respond to the call of society by striking a balance between both roles.

The Daimaru, Inc., where I was President and Chairman, has a history of 300 years, and held a corporate philosophy of "honor before profit," based on the words of the Confucian thinker Xunzi. Meaning "those who put honor and duty before profit will benefit," it translates into the idea that profit will come naturally from always putting the needs of society first.

This idea applies to JPX, since it provides a market for forming fair prices for financial products and, therefore, plays a key social and public role. First and foremost, JPX must be fair, transparent, and reliable, and its actions must reflect awareness of its social responsibility, which is larger than that of other companies in general.

## Q2 What will be necessary for JPX to "strengthen global competitiveness and improve customer convenience?"

The future vision of JPX is "to become the most preferred exchange in Asia that offers creative and high-quality services with a commitment to the public interest and reliability." I believe that JPX must ensure that the message from the management is communicated and fully understood throughout the organization, and initiatives are taken to put it into action.

First, to meet the demands of society that require being fair, transparent, and reliable, it will be necessary to maintain stability of trading and other platforms and continuously enhance and upgrade its systems, while

screening and supervising listed companies and monitoring trading activity.

On top of this, JPX must continually conduct management reform to keep growing and developing, and raising corporate value over the medium-to-long term. To do this, the management and staff must come together to implement core management policies. As economies grow more global, we will begin to see the limits of the domestic market. Therefore, increasing JPX's global competitiveness, particularly in fast-growing Asia, will be crucial.

To increase global competitiveness, the most important element will be human resources. If there is no policy for encouraging capable staff to develop an international outlook and expertise, the strategy will be no more than pie in the sky. This will take time, but it is an issue that must be addressed.

**Inside and outside directors are openly discussing matters from their respective points of view and working together to achieve management targets and improve corporate value and performance.**

## Q3 What is your assessment of JPX management and its directors?

The key to good corporate governance is the segregation of execution and management. Business affairs should be delegated to executive officers, while the board of directors decides on company policies and oversees

company management. In this system, the role of outside directors is to maintain management transparency and improve accountability to society and stakeholders by enhancing oversight and providing advice.

Governance at Japanese companies has traditionally been "defensive governance," and outside directors are expected to be risk-averse and prevent misconduct. Today, the shift toward "offensive governance" is behind a newfound healthy entrepreneurial spirit, and outside directors are called upon to provide advice on increasing corporate value. Newspapers, magazines, and other media sometimes describe conflicts between inside and outside directors, but the important point is that inside and outside directors are openly discussing matters from their respective points of view and

## Tsutomu Okuda

**Japan Exchange Group, Inc.  
Outside Director**

Mr. Okuda is Outside Director at Japan Exchange Group, Inc. and Senior Advisor at J. FRONT RETAILING Co., Ltd. After serving as President of The Daimaru, Inc., he was appointed Chairman and CEO of the same company. Following the merger of Daimaru to form J. FRONT RETAILING Co., Ltd., in 2007, he became President and CEO of the merged entity. He was subsequently appointed Chairman and CEO and currently holds the position of Senior Advisor. He has also served as Representative Director of the Kansai Association of Corporate Executives, Vice Chairman of the Board of Councillors, Keidanren (Japan Business Federation), and Vice Chairman of the Kansai Economic Federation.

working together to achieve management targets and improve corporate value and performance.

The JPX board of directors has 13 members, with 9 outside directors making up the majority. The JPX corporate governance system is well-structured, and the positions of the Chairman of the board and CEO are held by different individuals. The outside directors are a balanced group that includes foreigners and experts with broad business insight from a wide range of fields. The board has developed a culture and frameworks that allow for active discussion. As one of JPX's outside directors, I hope to contribute to its development and the fulfillment of its social mission.

### Q4 Drawing on your own background and insights as a corporate manager, what advice do you have for JPX?

In the course of running a company, the corporate manager must constantly reiterate and return to the corporate philosophy and strategy, and it is important that everyone, down to the employee level,



understands these thoroughly. Unless all employees understand company policy and their expected roles, the gap between them and the corporate philosophy will never be adequately bridged. Everyone in the company, not just the CEO but also directors, department managers, and section managers, must make staff identify with the corporate philosophy and act to reinforce it.

I was also a manager of a non-Japanese company, but they are different from Japanese corporations, where many are long-serving employees. In this sense, it is easy to cultivate a corporate culture in a Japanese company. A good corporate culture means a firm foundation for the company.

Formed out of a business combination, JPX is a new company that is still in the process of shaping its corporate culture. It will be important to instill the corporate philosophy and strategy in all employees so that the entire corporate group pulls together toward initiatives to enhance its corporate value.



## Christina Ahmadjian

Japan Exchange Group, Inc.  
Outside Director

Christina Ahmadjian is currently an Outside Director of Japan Exchange Group and a Professor of Hitotsubashi University, Graduate School of Commerce and Management. Dr. Ahmadjian was formerly Assistant Professor at Columbia Business School and, after serving as Professor and then Dean of Hitotsubashi University, Graduate School of International Corporate Strategy, she was appointed to her current position. Her research fields have included comparative corporate governance, globalization, the capitalist system, corporate groups, and Japanese business and management. She has contributed articles to international professional magazines and other publications. Her career in Japan spans 19 years and includes working for a Japanese company.

### Q1 Do you think that Japanese companies' mindset toward corporate governance has changed?

As recently as 2000, the concept of independent directors was foreign to the Japanese way of doing things, and was opposed by certain business community members. Amid much debate about Japanese versus American style corporate governance, the future of corporate governance in Japan seemed quite uncertain.

Although JPX was a strong advocate of corporate governance reform, independent directors, and shareholder value, many companies resisted putting outsiders on their boards. After the so-called "Third Arrow of Abenomics", however, things really came together to support corporate governance.

We see a significant movement toward reform, as exemplified by Japan's new Corporate Governance and Stewardship codes. Companies are bringing independent directors, including women, onto their boards. The new mindset in Japan that companies must on behalf of shareholders improve their ROE, use their capital more efficiently, and improve profitability has clearly taken hold, which represents a real turning point.

One of JPX's most-important missions over the next few years is to make sure that Japan's new Corporate Governance Code is implemented thoroughly and seriously and continue to provide leadership as Japanese companies continue to make changes in their corporate governance practices to follow this Code.

### Q2 How do you evaluate corporate governance of JPX?

Since JPX is such an advocate for good governance, I think there's a strong sense that JPX governance has to be better.

Disclosure, transparency, and engagement with shareholders are improving. Including JPX, I have served on three Japanese corporate boards; each company and board is different. What is noteworthy about the JPX Board is the diversity of independent directors who ask penetrating questions and comment using their specific professional expertise. Sometimes in a meeting someone says something truly insightful, and my reaction is literally, "Wow, I never thought of that!"

I've also been impressed by people who aren't afraid to ask any question, which JPX senior management encourages. The deepest and most-insightful debates

are often triggered by a director asking the simplest question. You need to be confident of your background, experience, and authority to ask simple questions. Why are we doing this? What's the objective?

### **Q3 What is necessary for JPX to become Asia's exchange of choice?**

I think a strategic mindset and global mindset are the two big issues.

Becoming Asia's exchange of choice is a highly strategic matter requiring clear objectives. It's easy to say, but difficult to define. For instance, what's Asia? or, what does Asia exactly mean? So the next step for JPX is becoming more aware of strategy and strategic thinking.

Moreover, Asia's exchange of choice means partnering more in Asia or attracting more investors to Japan, which is a huge international dimension. When any company goes international, it must address strategic questions of whether to develop or hire internationally oriented professionals who have international experience in background and outlook.

### **Q4 How can a board be most effective?**

Fundamentally, the board must demand that top management thinks strategically and proposals presented to the board are solid.

Independent directors must also make a clear commitment to corporate governance. They need to understand the company and its people, including what best benefits investors and other stakeholders. One of the great things at JPX is briefings, which enable me to reach out people outside the board. For example, if I need a briefing on Myanmar, where JPX is supporting for establishing a stock exchange, they will bring somebody in.

The board's mission is to review medium-term strategic plans, monitor performance, and push management to create value for all stakeholders. To do this, we need the right mix of directors. There is no ideal profile of an independent director because of the importance of diversity, which is a key JPX strength. Rather than concentrating on lawyers, company executives, or

retired executives, we must focus on individuals with operating experience in different industries who offer unique and tested perspectives. It would also benefit Japanese companies to add younger board members.

The same holds true of having women on boards, who offer different perspectives since boards in Japan have tended to consist largely of men. If a woman is elected independent director, the reaction typically is "Goodness! This person is really different." It shakes things up. Particularly in Japan, women may be the ultimate outsiders.

Corporate governance is hugely important, but only if it works. It is no help to simply add outside directors to feign compliance. One or two outside directors can either be effective or not, depending on the company. At JPX, we have robust governance because we have a majority of outside directors. I think a slight majority is

the right mix, as inside directors play a vital role, too.

**JPX must continue to provide leadership as Japanese companies continue to make changes in their corporate governance practices.**

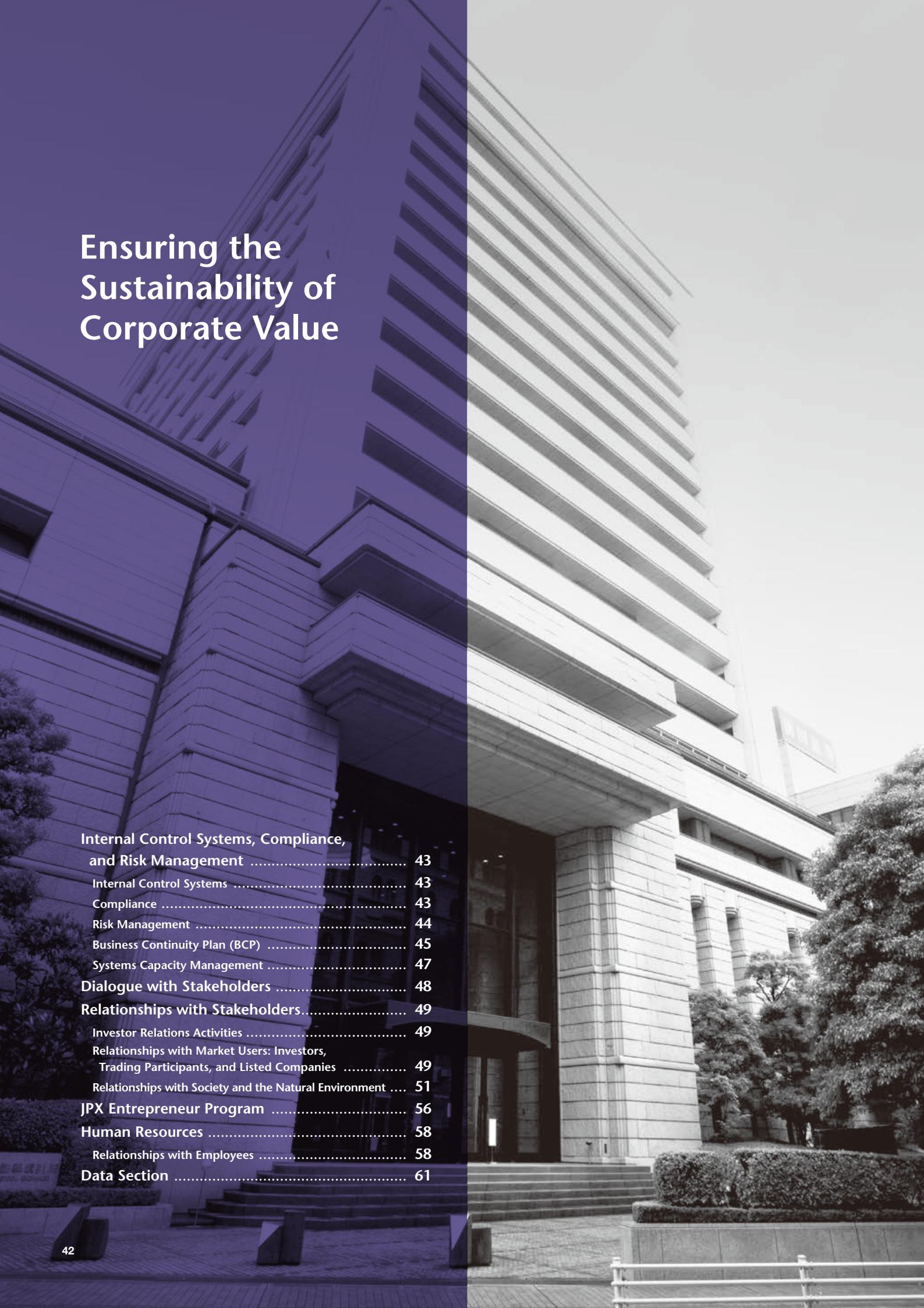
### **Q5 As an independent director, what kinds of change would you like to see at JPX?**

The most-important thing is to assure corporate boards work. Directors must be trained to understand their roles. Company insiders must grasp the role of the independent director. Also, you must understand how to manage a board effectively. JPX

would benefit if independent directors met on their own to brainstorm about contributing to the value creation process.

We need an effective board evaluation process, which would be new for Japan. A first step could be preparing a self-evaluation: How have I contributed? How do I think the board is doing? How could the board become more effective?

After only one year, it is difficult to evaluate myself, but I think my contributions are positive in terms of championing an international approach to human resources, furthering contributions made by women, and advocating diversity. Another contribution is encouraging strategic thinking as JPX moves into a new medium-term plan and regarding what it means to become Asia's exchange of choice.



# Ensuring the Sustainability of Corporate Value

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# Internal Control Systems, Compliance, and Risk Management

JPX performs a public role as the operator of the market, and to continue to increase its corporate value, it is essential for JPX to maintain sound and stable operating systems. From this perspective, JPX designs and operates internal control systems, insists on thorough compliance, and conducts risk management.

## Internal Control Systems

JPX has established the Basic Policy on Establishment of Internal Control System, and has developed its internal control systems based on this policy. To ensure proper operation of business processes in JPX as a whole, systems have been created for ensuring compliance with laws and regulations, safekeeping and management of information, crisis management, the efficiency of operations and internal control within JPX, as well as the appropriateness of financial reporting. Along with these systems, JPX, as the operator of the market, prepares and implements systems for ensuring the stable and efficient operation of its business activities. JPX also confirms the performance of these systems through periodic monitoring.

**Basic Policy on Establishment of Internal Control System, see:** **WEB**  
<http://www.jpx.co.jp/english/corporate/about-jpx/internal-control/>

## Compliance

Stable and appropriate business activities require not only well-designed business operating systems, but all members of management and employees must have a strong sense of ethics and observe laws and rules as a matter of course. For this reason, JPX has introduced a program to heighten awareness of compliance issues.

### Compliance Program

JPX has established its Charter of Corporate Behavior as a set of standards for ethics and morals. This Charter clearly states the expected corporate behavior, and to realize effective internal control functions, JPX is continuing to increase the awareness of management and employees through the further development of internal systems, as well as maintaining educational and training activities.

### Establishment of the Charter of Corporate Behavior

JPX established its Charter of Corporate Behavior to maintain harmony with society and make clear the social responsibilities that an open and transparent corporation should fulfill. The Charter states the basic policies for corporate behavior from the perspectives of ethics and morals. It also indicates clearly JPX's stance toward investors and reflects JPX's commitment to becoming an open company.

### Structuring of Organizational Systems

Under the JPX organizational structure, the Chief Executive Officer (CEO) assumes responsibility for compliance and is in overall charge of compliance-related matters. The CEO is assisted by the director responsible for compliance, and the Compliance Secretariat has been formed to take charge of operating the Compliance Hotline and the execution of other administrative matters.

### Establishment of a Compliance Hotline

JPX has a Compliance Hotline to provide a channel for reporting information and making inquiries regarding clear or suspected violations of laws and internal rules, including the Charter of Corporate Behavior. When certain behavior around JPX officers and employees is suspected to be in violation, the hotline makes it possible to detect such acts promptly and introduce measures and frameworks to address them.

### Activities for Continued Awareness

JPX engages in a number of activities to ensure continued awareness of compliance issues. These include holding meetings of compliance officers from all organizational units, distributing compliance handbooks, communicating information on compliance matters through the intranet, and holding e-learning courses.

### Compliance Program, see:

**WEB**  
<http://www.jpx.co.jp/english/corporate/about-jpx/compliance/>

## Risk Management

JPX confronts a variety of risks in the course of its operations. These include system issue risk, legal risk, risk of compensation when participants become insolvent, and clerical error risk. To respond to these risks, JPX has established a Risk Management Committee, which is chaired by the CEO, and, following the JPX "Risk Management Policy," it is responsible for identifying risks as well as developing and implementing risk-related measures with a view to preventing such risks before they occur. Also, when risks materialize or may materialize, JPX prepares a system to ensure a swift and appropriate response.

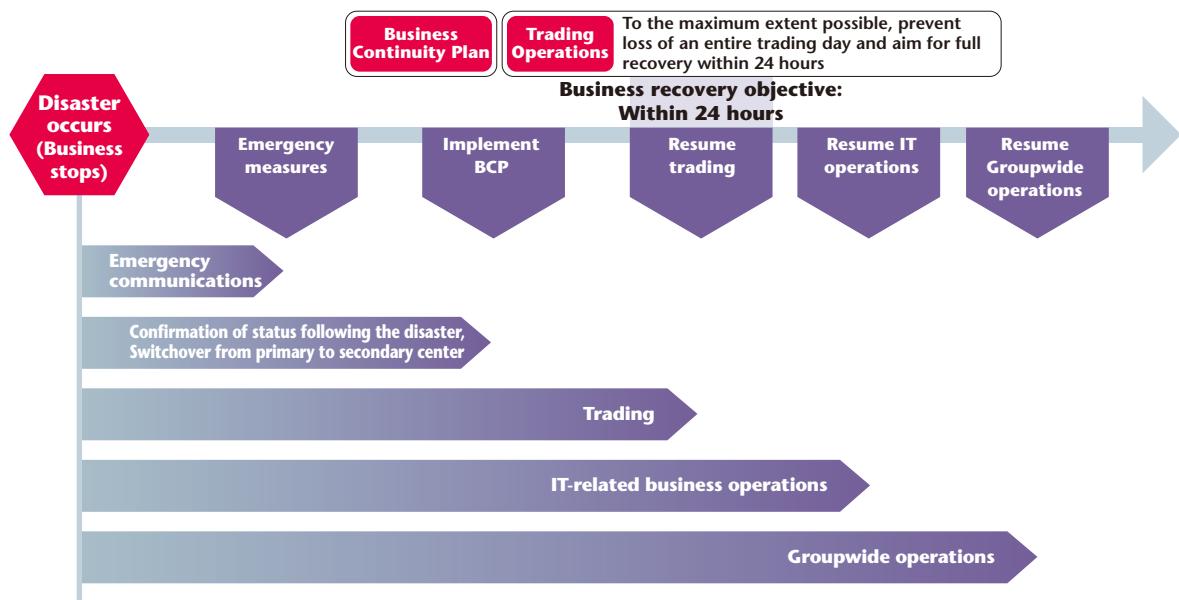
### Risk Management Systems

Under the Groupwide Risk Management Committee chaired by the CEO, JPX conducts risk management based on its Risk Management Policy, which is a major basic policy. The Risk Management Committee comprises core members and project

members who are in charge of the risk of specific projects. Core members include the CEO (as chairman), the executive officer in charge of the Corporate Planning Department, and the general manager of the Corporate Planning Department. The chairman of the committee designates project members for individual matters.

To prevent risks before they occur, the Risk Management Policy specifies the risks confronted by JPX and classifies these. Based on this classification, a department or section is specified to be in charge of, and information on the assessments of operations and issues to be addressed are brought before the Risk Management Committee periodically. In addition, when major issues arise, the Risk Management Committee gains an overall grasp of the situation and gives directions for dealing with issues as quickly as possible, and procedures call for all necessary information to be reported to management promptly.

### Procedures for Restoring Business Activities after Disaster Occurs



## Business Continuity Plan (BCP)

JPX's core responsibility as a market that is part of the social infrastructure is to provide reliable markets for investors to trade with confidence. Therefore, even when major risks occur, including natural disasters and terrorist acts, JPX must be prepared to respond to the call of society and continue its operations. To be ready for such situations, JPX's Business Continuity Plan defines how we respond when risks materialize.

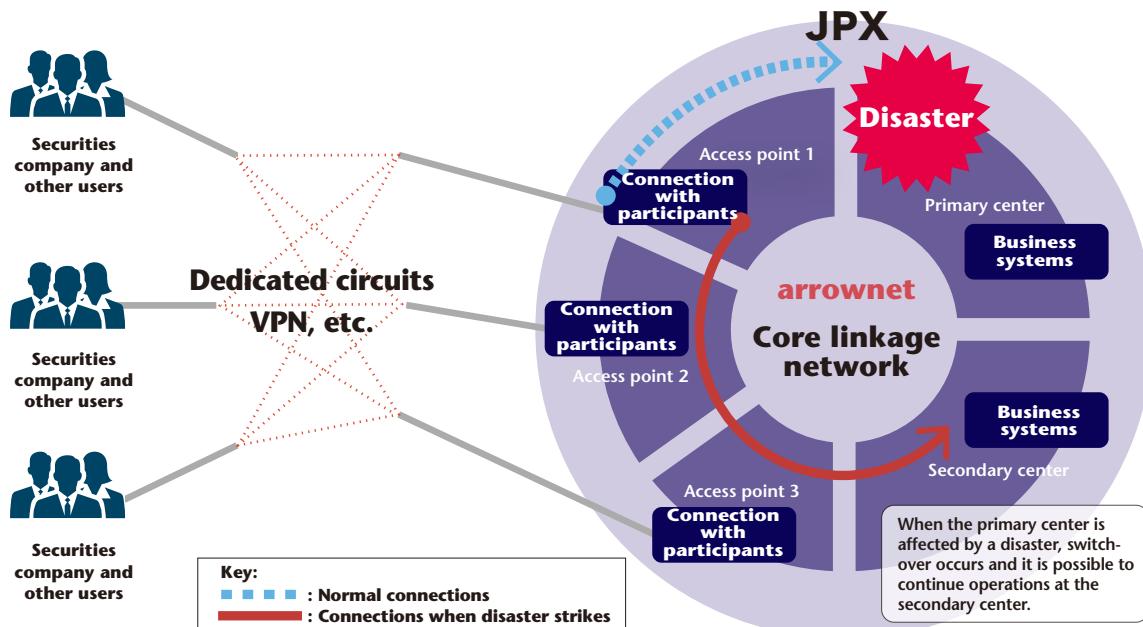
### Systems for Business Continuity

The basic concept under JPX's BCP is to continue all possible services in times of crisis. If the suspension of some services is unavoidable, these services should be resumed as soon as possible. For example, even when a major earthquake occurs and this has a serious impact, in general, JPX aims to resume all necessary business operations within 24 hours, and, to the greatest extent possible, prevent the loss of a trading day.

In addition to its primary data processing center where operations take place in normal times, JPX also maintains a secondary (backup) center, in order to reduce the impact of natural disasters. If the primary center suffers damage due to a natural disaster and cannot continue operations, trading and other core systems in the backup center go into operation, allowing trading to resume quickly.

Further, in preparation for potential widespread disasters such as large-scale earthquakes, the core telecommunications network, "arrownet," is designed as an optical ring network surrounding the Tokyo metropolitan area. Even if a portion of the network is severed by a disaster, transmissions will be re-routed immediately, ensuring that communication connections are maintained.

### Outline of Switching Over to the Secondary Center when the BCP Is Implemented



## I Mitigating Impact on Related Parties

While ensuring trading opportunities, to maintain fair pricing in the market, it is also necessary for securities companies and other market participants to maintain a certain level of preparedness. JPX has prepared contingency plans to inform participants of its basic crisis response policies in advance when trading becomes difficult in situations where JPX or other external systems encounter difficulties, natural disasters or terrorist acts occur, or parts of the social infrastructure are no longer functioning. For example, in cases when participants accounting for 20% or more of equity trading can no longer participate, or in cases where information related to companies amounting to 20% of the market's total capitalization cannot be transmitted, JPX's policy is to suspend trading based on concerns for the adverse impact on liquidity and fair and reliable price formation.

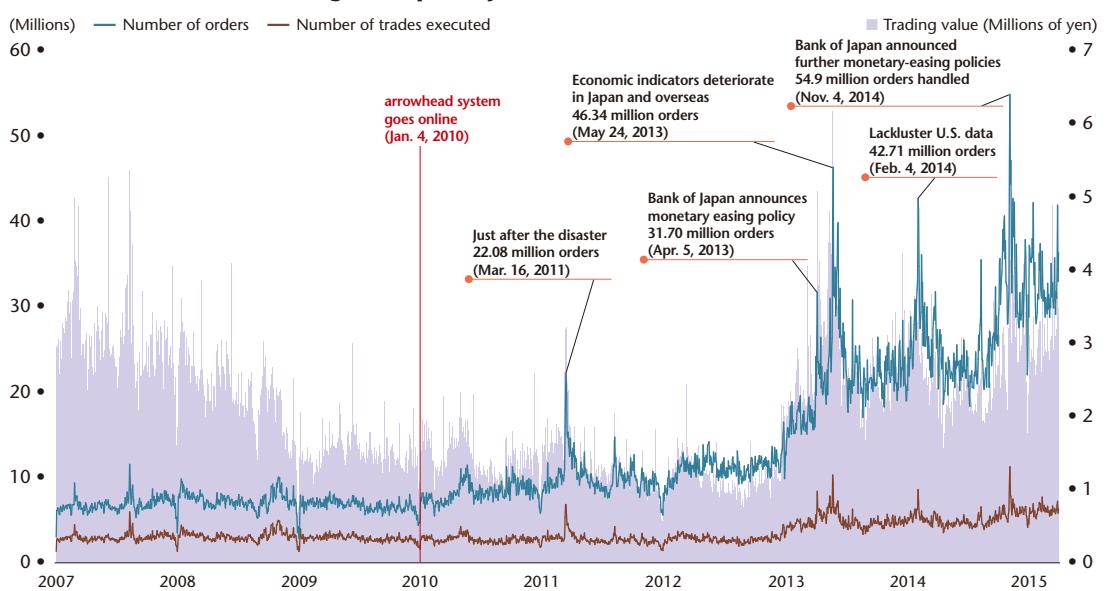
The BCP also defines activities by type of risk for those that are currently identified, as well as

detailed plans for securing personnel for the BCP headquarters and methods of communication. These contingency plans are periodically reviewed at least once a year, and revised appropriately in light of changes in the operating environment.

Moreover, transaction activities on the exchanges are based on collaboration among various entities, including clearing and settlement companies, self-regulatory organizations, securities companies, and government authorities. For this reason, in addition to strengthening its own continuity planning, JPX participates in the BCP Forum, formed as a venue for considering a BCP for the securities markets as a whole, and engages in discussions to achieve closer collaboration among market participants and taking active initiatives to strengthen the BCP functions of the market as a whole.

**Crisis Management, see:** **WEB**  
<http://www.jpx.co.jp/english/corporate/about-jpx/crisis-management/index.html>

### Number of Orders and Trading Value per Day in the Stock Market



## Systems Capacity Management

In recent years, the number of orders processed on a daily basis by JPX trading systems has been increasing. For example, JPX's arrowhead trading system handled less than 10 million orders a day when it was launched in January 2010, but by November 2014, the system processed about 54 million orders. As a result of higher system processing speeds and the launch of co-location services, the structure of the market is changing dramatically with investors adopting high-speed, high-frequency techniques.

In view of these changes, and with an eye to the future, JPX is monitoring market trends and system use, and is working to manage the system capacity of the Group as a whole, with the aim of preventing issues that may arise regarding system capacity. JPX also strives to improve its monitoring structure in the course of monitoring system capacity. Working closely with senior management, when system usage approaches a certain threshold, action is taken to make improvements immediately.

### ■ Systems for Capacity Management

JPX is taking measures to ensure system capacity not only through the IT Department, but also on a

cross-divisional basis through the Capacity Management Committee, chaired by the Chief Information Officer (CIO). This committee includes directors and other management personnel in charge of market operations.

Specific initiatives include surveillance, analysis, and assessment of the status of systems operations, early-stage policies for improving current systems, and the provision of feedback for the planning and development of next-generation systems. Observing overall market trends, JPX is implementing the "plan, do, check, action" (PDCA) cycle with the aim of arriving at systems that satisfy the needs of market participants. In addition, operating procedures require regular reports to senior management, and also on an ad-hoc basis. This makes it possible to make appropriate decisions to address important issues on capacity, and those that require urgent attention.

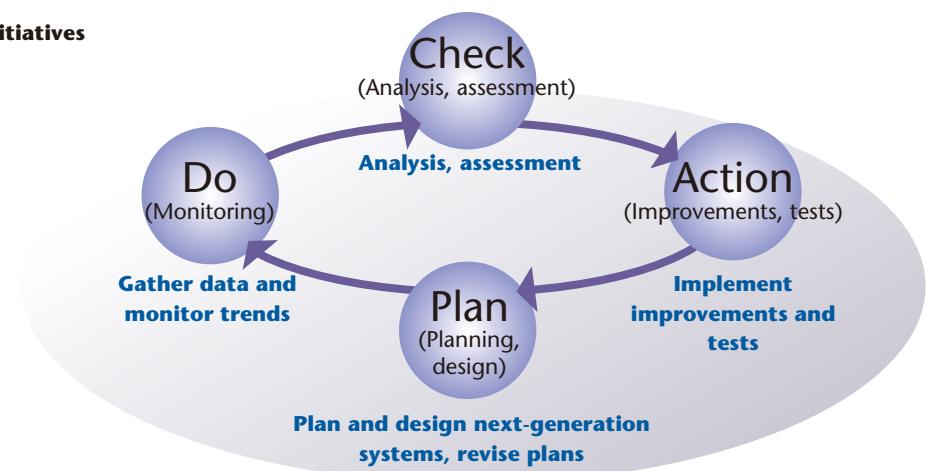
JPX will continue these activities with the aim of ensuring stable system operations, and further develop its exchange systems to accommodate future market developments.

### Basic Approach to Systems Capacity Management

JPX gathers information on the status of systems operation and seeks to determine trends and events to the greatest extent possible through analysis and assessment to identify trends in the market from a systems point of view. Through implementation of the PDCA cycle, JPX strives to make improvements and be ready for future developments and, thereby, accomplish the following two objectives:

1. Prevent systems-related problems before they occur by being prepared for future changes in the market and taking necessary measures in advance.
2. Feed back information for the planning and development of next-generation systems and, thereby, realize systems that better respond to market needs.

#### Cycle of Initiatives



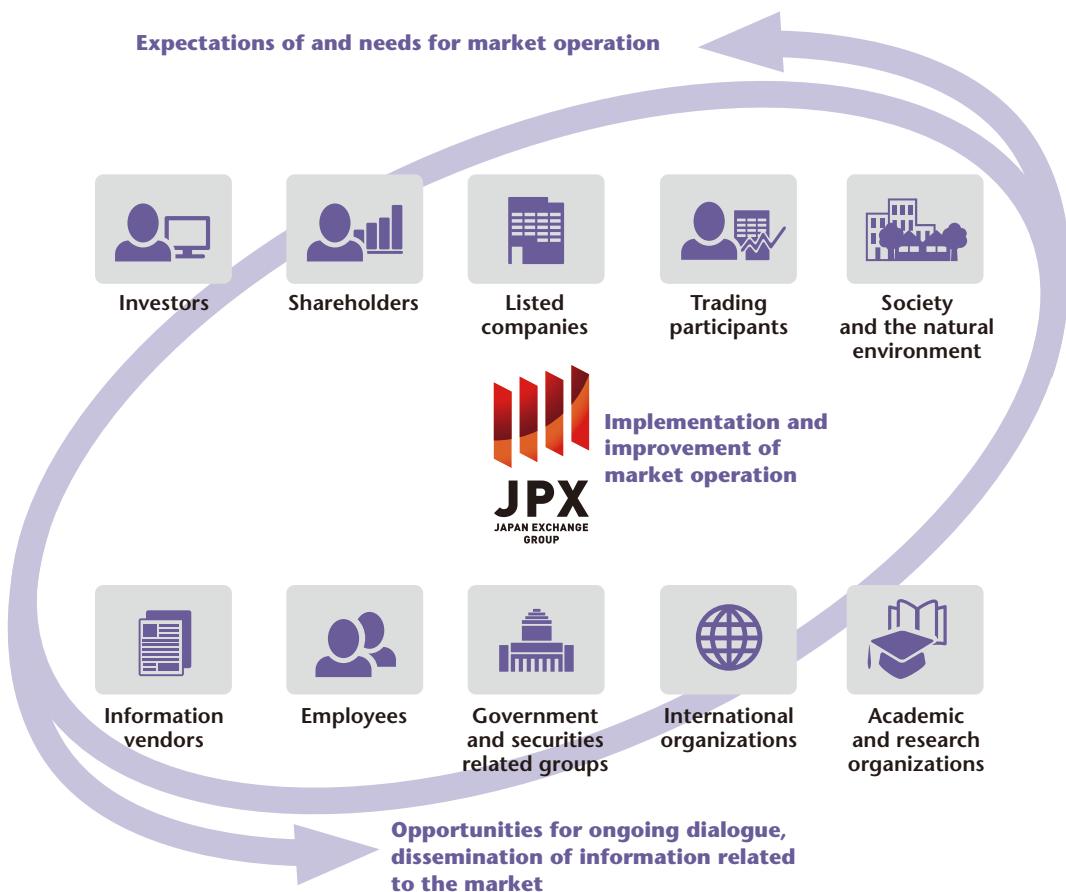
## Dialogue with Stakeholders

Exchanges need to provide more than just a venue for trading for financial markets. Without the cooperation of the many participants in capital markets, including shareholders, investors, listed companies, securities companies, and related organizations, JPX would be unable to implement its corporate philosophy. For this reason, it is important that JPX not only perform its primary roles, including the structuring of the market platform and operation of the market, but also maintain ongoing dialogue with its various stakeholders and society as a whole to

deepen mutual understanding. Through this dialogue, JPX seeks to moderate and reconcile varying interests, and contribute to the creation of a sustainable society.

JPX recognizes that this dialogue is an opportunity to identify and gather information on the needs and expectations of stakeholders. We also use this information in our market operations and in developing a symbiotic relationship with society, working to ensure the sustainability of our corporate value.

### Principal Stakeholders of JPX



# Relationships with Stakeholders

## Investor Relations Activities

Fluid communications between corporations and investors prevent the emergence of gaps between assessments of business conditions and corporate value. It also helps companies refine their corporate strategies. To build such a constructive relationship, JPX takes initiatives to maximize corporate value by ensuring that accurate information is delivered promptly to investors, and that market feedback is provided to its top management and related departments.

### ■ Shareholders' Meetings

JPX held its annual general meeting for FY2014 (April 1, 2014 to March 31, 2015) on June 16, 2015, with 604 shareholders in attendance. To shareholders who could not attend the meeting, JPX offered video clips of the meeting via its website.

To provide shareholders with sufficient time to decide how to exercise their voting rights, the notice of the general meeting is sent out three weeks in advance of the meeting. Also, four weeks prior to the meeting the Japanese and English versions of the notice are made available on the JPX website. The notice is also made available to overseas investors at the same time through the Electronic Voting Platform for Institutional Investors. In addition, JPX is working to present the information in the notice in a more easily understandable form, using color and graphics.



TSE IR Festa in progress

Website for individual investors



To exercise their voting rights, shareholders may send in their decisions by post, or use the online voting platform. For the annual general meeting held on June 16, 2015, 84.96% of voting rights were exercised.

### ■ IR Initiatives for Institutional Investors and Overseas Investors

JPX provides investors with opportunities for dialogue through visits by its top management, presentations at IR conferences, and one-on-one meetings with investors. In addition, JPX holds investor earnings announcements twice a year, for interim and full-year results. JPX also offers domestic and overseas investors audio and video clips of the meetings on the Japanese and English JPX websites on the day they are held.

### ■ IR Program for Individual Investors

During the fiscal year, JPX held information meetings 20 times, attended by more than 1,800 individual investors. These included the TSE IR Festa and the Nikkei IR Fair as well as seminars held in the branches of securities companies nationwide and online live seminars. Along with these activities, JPX has also created an IR section on its website for individual investors and is using this to actively disseminate information, including the overview of JPX, documents prepared for investor information meetings, and video presentations.

## Relationships with Market Users: Investors, Trading Participants, and Listed Companies

Building collaborative relationships based on confidence and trust among market participants is essential for exchange operations. Accordingly, JPX provides a range of opportunities for dialogue with market users. These dialogues help JPX ensure the transparency of market operations, and to operate the markets in more convenient ways. Based on our customer-first creed, we work together with market users to discuss important decisions in depth and shape the markets of the future.

### ■ Mutual Understanding through Dialogue

JPX facilitates mutual understanding and makes enhancements to its systems and operations to

deepen dialogues. These activities enable us to obtain the views of industry experts and market users, and apply these in market operations to enhance overall convenience.

#### **Market Operations Committee**

Tokyo Stock Exchange and Osaka Exchange each have a market operations committee as an advisory group to the Board of Directors. The committees, in collaboration with external experts, make decisions regarding important matters such as the listing of new financial products, the creation of new markets, and rule revisions.

#### **Solicitation of Public Comments**

To ensure fairness and enhance transparency of its decision-making processes, JPX provides opportunities for securing a diversity of opinions when decisions are made. Specifically, JPX makes draft proposals and related matters publicly available on its website, and invites comments.

#### **Advisory Group on Improvements to TSE Listing System and Surveys of Listed Companies**

To ensure transparency, major reviews of the listing rules, which may have a significant impact on investors, listed companies, securities companies, and other stakeholders, are implemented as necessary based on the content of discussions held by the Advisory Group on Improvements to TSE Listing System. This advisory group is composed of members selected from among persons with experience in business, academia, and other fields, representatives of listed companies, institutional investors, securities companies, and other organizations.

In addition, each year JPX sends out a survey to listed companies and reflects the responses in improvements to its market operations.

#### **Exchanging Opinions with Securities Companies**

To continue to enhance the operations of the exchanges, JPX believes that close communication with securities companies is extremely important. To this end, at appropriate times, JPX holds meetings to exchange opinions with representatives of trading participants and arranges meetings and get-togethers with representatives of securities companies, including non-trading participants.

#### **Strengthening Marketing and Promotion Activities**

In April 2011, JPX restructured its organization in an effort to strengthen its structure for marketing and promotion by concentrating these functions in a single operating unit. The Marketing and Promotion unit was formed to gather information on the actual and latent needs of market users as part of our customer-first policy, putting us in a position to take initiatives as a service solutions provider that responds promptly and flexibly to the expectations and needs of the market.

In addition, the unit actively implements promotional activities in response to customer needs.

Diversity in market participants and investment styles is vital to sound market development. Through these activities, we seek to increase liquidity in the equities and derivatives markets, reaching out to various investor groups to broaden the range of participants and encourage investment.

##### **• For Overseas Institutional Investors**

JPX provides information that highlights the attractiveness of its markets, with the aim of expanding liquidity through the participation of market makers and investors with medium- to long-term investment horizons, such as sovereign wealth funds (SWFs) and pension funds.

In FY2014, JPX held meetings and events for major institutional investors, pension funds, and hedge funds in North America, Europe, Asia, Oceania, and the Middle East. Through these visits and events, JPX endeavored to communicate the attractiveness of its markets and provide information on trading rules and other developments in Japan.

##### **• For Domestic Institutional Investors**

The need for equity portfolio management among domestic institutional investors is rising as the deposit and loan interest rate spread narrows, bond yields decrease, and interest rate rising risk grows. In view of these conditions, JPX took the initiative to promote the use of ETFs and REITs as investment tools by visiting regional financial institutions in Japan and offering specific methods for using them in asset management. Holdings of ETFs by financial institutions were ¥8,376.0 billion (as of January 2015), ¥2,767.4 billion higher than those at the end of January 2013, suggesting greater use of ETFs as an asset management tool.

### • For Retail Investors in Japan

JPX is stepping up its efforts to provide information to retail investors. These include holding seminars for individuals with varying levels of investment experience, providing information on various types of investments, and conducting study meetings for retail sales personnel of securities companies.

In addition, to promote mutual understanding among retail investors and listed companies, the TSE IR Festa is held annually to provide opportunities for dialogue with individuals. In FY2014, the TSE IR Festa 2015 was held in March 2015 with booths put up by 73 listed companies and 6 ETF management companies. The two-day event saw a total of 16,990 visitors.

### Compliance Learning Center (COMLEC)

To promote dialogue with market participants regarding compliance, Japan Exchange Regulation has established the Compliance Learning Center to improve and deepen understanding of compliance matters. With the aim of heightening awareness of compliance issues, its initiatives include providing support services for securities companies, listed companies, and other market participants, as well as explaining laws and regulations related to insider trading and other aspects of financial instruments trading.

#### Seminars

- Insider trading seminars for corporate compliance officers (31 times, about 2,400 participants)
- Compliance forums for listed companies (5 times in Japan, about 1,700 participants)
- Seminar for inspection officers (held in Feb. and Mar., about 160 participants)

#### Dispatching speakers

- In-house training at listed companies and securities companies (709 times, about 40,000 participants)

#### Publications and e-learning services

- Publication and provision of materials on insider trading regulations and internal management at securities companies
- Provision of e-learning training program content

### Meaning of the COMLEC Logo

The COMLEC logo expresses fairness and suggests the image of the birth of a new awareness, as well as the image of COMLEC opening the door to a new era in compliance.



## Relationships with Society and the Natural Environment

### I Contributing to the Community through Financial and Economic Education

As the central figure in Japan's economic and financial infrastructure, JPX makes continuous efforts toward financial and economic education. We aim to provide accurate knowledge regarding securities and finance, promote understanding of the proper use of financial services, and contribute to society by nurturing Japan's retail investor base.

#### Financial and Economic Education

##### • JPX Academy

The JPX Academy caters to the desire across the generations to learn more about finance, providing courses on investment products, from cash equities and ETFs to derivatives. In addition, the Academy hosts lectures by outside experts, provides instruction on macroeconomics and the latest economic theories, and engages in other activities to provide information necessary for investment from an objective perspective. In FY2014, more than 5,100 persons participated in the Academy's courses.

##### • Outreach to Schools (Elementary to High School)

Economics and stock companies are an integral part of our daily lives, but there are not many opportunities to discuss this subject in school. For this reason, JPX makes its employees available for lectures on such topics as politics, economics, and public citizenship. These lectures include role-playing activities to explain the framework of stock companies, and better familiarize students with finance and economics. During FY2014, JPX employees went to 58 schools and gave lectures to a total of 10,333 students, while a total of 8,601 students studied at TSE.

- **Economics Lectures for Parents and Young Children**

JPX sponsors various events during summer vacation and other holidays to teach finance and economics to elementary and junior high school children and their parents or guardians. In FY2014, a total of more than 2,800 persons participated in these events.

JPX (Osaka Exchange, Inc.) also sponsored the "Learning with Children – Finance and Stock School" program, part of a joint project with Osaka prefec-tural government's finance and public relations com-mittee, the Osaka branch of the Bank of Japan, the Japan Securities Dealers Association, and Japan Mint. Elementary school students in grades four to six were invited to tour the principal financial and eco-nomic facilities in Osaka and listen to explanations from staff of these organizations to help them become better acquainted with finance and equities.

- **University Lectures**

Today's students are tomorrow's leaders. To deepen understanding of finance, economics, and securities markets, JPX sends staff members to speak at col-leges across Japan. In FY2014, JPX employees gave lectures at 51 universities to a total of more than 11,000 students.



Economics lecture for parents and children (Tokyo)



Photograph courtesy of Keio University

Views of Keio University (above) and Sophia University (right), where JPX sponsors courses



Photograph courtesy of Sophia University

- **Sponsored Courses**

JPX offers sponsored courses at Keio University and Sophia University as part of its effort to nurture future leaders. With regard to the roles expected of listed companies, these courses cover laws governing the securities markets, as well as trends in economics, man-agement, and accounting, and stock listing and disclo-sure systems, with case studies and other examples.

- **Seminars for Teachers**

During the school summer vacation and other holi-days, JPX presents economics lectures and seminars for junior high and high school teachers, with the aim of assisting them in their lectures on social stud-ies and citizenship. In addition, JPX makes employ-ees available for teacher training programs and study meetings.

- **Visitor Tours**

JPX welcomes students from primary school through college and a wide range of the general public, both in groups and as individuals, to visit its exchanges to experience and become more familiar with them.

In FY2014, a total of 62,298 persons visited JPX exchanges, principally TSE Arrows (Tokyo Stock Exchange) and OSE Gallery (Osaka Exchange).

### Project for Disseminating Knowledge about Securities

This jointly sponsored project was originally called the "Five-Organization Project for Knowledge and Enlightenment Regarding Securities," but was renamed in February 2001 as the "Project for Disseminating Knowledge about Securities." JPX, the



Visitors touring TSE Arrows

Visitors touring OSE Gallery (opened Feb. 2015)



Japan Securities Dealers Association, and other industry groups conduct joint activities to promote the ongoing, long-term dissemination of knowledge on securities. Activities include creating teaching materials for finance and economics education, as well as holding continuing education seminars and lectures for adults.

### **I +YOU Project in Support of the Japanese Economy**

#### **Nationwide Caravans**

The nationwide caravan initiative involves holding seminars to communicate the meaning, significance, and appeal of investment to new and potential investors. We invite influential speakers to provide seminars to participants, including those who had no interest in investing, with a better understanding of what it means to invest.

In FY2014, 41 seminars were held for a total number of 5,400 participants, surpassing the previous year. Surveys on the seminars revealed that 90.7% of the participants were satisfied with the contents of the seminars, and 84.8% said that they felt positive and more or less positive to invest.

#### **Looking at Companies through Theme Issues**

JPX selects and publicizes "theme issues" based on particular themes or indicators to generate interest in investment for individual investors.

A total of 40 companies were selected as "Nadeshiko Brand" issues in FY2014 based on the theme of empowerment of women in the workplace. The "Nadeshiko Brand," alongside the "Diversity Management Selection 100," is part of a joint project with the Ministry of Economy, Trade, and Industry (METI) to promote the empowerment of women as part of the growth strategy to revitalize the economy. During the fiscal year under review, these selections were made for the third time. In addition, as a second phase in JPX cooperation with METI, 22 companies were chosen as "Healthy Management Issues" for their strategic implementation of activities



Meeting held during the Support Japan Nationwide Caravan

contributing to the health of their employees from the management perspective. Also, as a third phase in these joint initiatives, certain companies were selected as "Aggressive IT Management Issues." These companies were chosen on the basis of their use of IT to strengthen the development of their products and services as well as create new value and improve their competitiveness through reforms in their business models. The 18 companies chosen in this category were announced in May 2015.

### **I Promoting International Cooperation**

#### **Participation and Cooperation with International Organizations**

##### **• World Federation of Exchanges (WFE)**

The WFE membership is comprised of 60 exchanges around the world (as of July 2014). Its various initiatives include making proposals for policies related to capital markets, conducting surveys and research, and providing statistical data. WFE also supports member development through information sharing and technical support for new exchanges. Recent activities include strengthening risk control functions in response to the development of high-frequency trading (HFT), exchanging information regarding the roles of exchanges in the areas of the environment, society, and governance (ESG), as well as cyber security.

JPX actively supports WFE initiatives by participating in WFE general meetings, its Board of Directors, and WFE working committees.

##### **• Asian and Oceanian Stock Exchanges Federation (AOSEF)**

AOSEF is a federation of 18 exchanges (as of July 2014) located in the Asian and Oceanian region. Its activities include facilitating information sharing among members and providing mutual technical support for member exchanges. JPX serves as the secretariat for AOSEF, promoting research initiatives while also leading general meetings and the working committee.

Recent activities included exchange of views regarding initiatives to promote cross-border transactions in the Asian region and activities to encourage the development of markets for emerging and growth industries. Other activities included the comparative research on market structures.

## Acceptance of Trainees from Overseas Exchanges (with Japan International Cooperation Agency (JICA))

Since the 1990s, JPX has welcomed trainees from exchanges of various countries at the request of JICA to contribute to the development of the capital markets and securities markets in the countries of East Asia. As part of training activities, the trainees learn about the role of corporate governance and securities exchanges, Japan's securities markets, stock listing and trading rules, and systems for monitoring trading activity as well as other self-regulatory activities. The program also includes visits to Japan's Financial Services Agency, securities companies, and other related organizations.

## I Promoting Academic and Research Activities

### JPX Working Papers

JPX conducts surveys and research on changes in the operating environment surrounding the market and related legal systems in an effort to build a more attractive capital market. The results are published as *JPX Working Papers*, in collaboration with the management and staff of JPX and external researchers. These papers bring together the results of the academic approach of external researchers and the knowledge as well as data JPX obtains from the operation of the capital market and are issued to invite broad commentary from academia, research institutes, market participants, and related parties.

**JPX Working Papers, see:** [WEB](#)

<http://www.jpx.co.jp/english/corporate/research-study/working-paper/index.html>



JICA Stock Exchange Seminar

### Joint Research with the University of Tokyo

JPX conducts research in collaboration with the University of Tokyo on data analysis technologies and simulation technologies to contribute to the stability and efficiency of financial instruments trading markets. JPX's finance research team works with two research teams at the Department of System Innovation, School of Engineering under associate professors Kiyoshi Izumi and Fujio Toriumi to develop technology for analyzing the huge amounts of data generated by high-speed, high-frequency and other forms of trading. Through the use of artificial market simulations to simulate situations that cannot be observed in the market, this research develops technology and system designs that will allow for more stable and efficient operations in financial instruments trading markets. The results of this research are published at appropriate times as *JPX Working Papers*.



### JPX Study Group on the Financial Instruments and Exchange Act

In recent years, with developments such as the implementation of the Financial Instruments and Exchange Act, the legal framework for finance and securities in Japan has undergone major changes. JPX supports expert research on finance and securities law, and provides the platform for a study group on the Financial Instruments and Exchange Act with the aim of making their studies broadly available in Japan and overseas.

The study group comprises 24 leading researchers, and holds discussions and issues reports on a wide range of legal issues, focusing on the Financial Instruments and Exchange Act. Meetings are held monthly in Tokyo and Osaka, with minutes and reports posted on the JPX website. We plan to periodically compile these meeting reports into a publication and distribute it to researchers and related organizations.

**JPX Study Group on the Financial Instruments and Exchange Act, see:** [WEB](#)

<http://www.jpx.co.jp/english/corporate/csr-activities/research-activities/>

## I Environmental Conservation

JPX aims to contribute to the realization of a sustainable society and takes initiatives to lessen its environmental footprint by conserving energy use in lighting and air conditioning of its business facilities. We also take steps to increase environmental awareness among employees through tree-planting, community cleanup activities, and other initiatives.

### Reducing Our Environmental Footprint

To lessen our impact on the natural environment, JPX is strengthening its measures to reduce energy use on its business premises. For example, the amount of electricity used in the TSE Building, JPX's principal place of business, has steadily declined since we attained the voluntary reduction targets set by the securities industry in Japan in 2008 (a 12% reduction by 2012 in comparison with 2002), which were based on the Kyoto Protocol. This was the result of the replacement of its equipment with new units as well as efforts to raise environmental consciousness among employees. In FY2014, JPX replaced its air-conditioning equipment and proceeded to shift to LED lighting. Other initiatives included installing motion sensor lights in toilets and other locations, reducing the number of light bulbs in common areas, and turning off lights in work spaces during the lunch hour. As a consequence of the continuation of these measures, total electric power usage declined 4.3% from the previous fiscal year.

In addition, overall energy use at JPX, including data centers, has decreased. While the enhancement of backup systems in recent years has led to the need to expand facilities, JPX has improved the efficiency of its infrastructure and reduced overall energy use. Going forward, we will continue to

strengthen our environmental management systems and reduce our environmental footprint in our contributions to the creation of a sustainable society.

### Tree-Planting Program

The TSE Listing Forest began in June 2004 in Yurihonjo, Akita Prefecture. Each year until 2013, saplings have been planted with the hope that the exchange will grow and prosper along with newly planted saplings. From FY2014, JPX is engaged in forest preservation. Tree-planting activities are also intended to heighten the awareness of environmental conservation among younger employees.

In conjunction with the tree-planting activities, local elementary schools were also presented with a program entitled "Our Livelihood and Stock Corporations" with the aim of deepening their understanding of the economy.

## I Contributing to the Community

JPX actively participates in events that give back to local communities that support its activities on a daily basis.

Each year, JPX cooperates in an event that takes Chuo City, one of the main sub-cities in the Tokyo metropolitan area, as a living museum and is called "Chuo City Marugoto Museum." As part of the event, JPX holds a drawing for original JPX-branded goods.

Also in FY2014, JPX employees participated in six cleanup campaigns in the Kabutocho district, where Tokyo Stock Exchange is located. Employees also join in the activities of the Famed Nihonbashi Bridge Preservation Society, which includes cleanup events in the vicinity of the famous Nihonbashi bridge.



Kabutocho cleanup activities



Drawing for prizes at the "Chuo City Marugoto Museum" event

# Nurturing a “Zest for Life”\* in the Next Generation

## Leveraging JPX Expertise to Cultivate a Culture of Entrepreneurship

To lay the foundations for the next generation of businesspeople and the industries of the future, JPX is communicating the significance of entrepreneurship to college students and schoolchildren. The JPX Entrepreneurship Program enables the younger generation to experience what it is like to set up companies and learn about being an entrepreneur.

\* Ministry of Education, Culture, Sports, Science and Technology Japan



### For Japan’s Future

As part of its community outreach activities, JPX offers a financial and economic education program that draws on its expertise in the capital market. JPX also recognizes that laying the foundations for new businesses and industry is important in addressing how the Japanese economy will maintain its vitality into the future.

For this reason, in FY2014, JPX launched a new CSR project to nurture budding entrepreneurs. Along with its ongoing financial and economic training program, the new JPX Entrepreneur Program is expected to provide added impetus and is positioned as an educational program for securing Japan’s future.

### Changing the Image of Entrepreneurship

The declining number of new companies and the growing number of companies going out of business are becoming a social problem in Japan.

### The Three Pillars of the Entrepreneur Program, a New CSR Project by JPX

#### Newsletter for teachers

To foster interest and understanding of entrepreneurship among junior high and high school students

#### Entrepreneur experience program

Offer a safe hands-on experience of entrepreneurship, not just through classroom instruction

#### Bridge organizations

Hold entrepreneur programs with other groups to build bridges for the next stage

Japanese society maintains a deep-rooted bias against entrepreneurs with a lack of awareness of the social role of entrepreneurship. For this reason, JPX is working to foster interest and understanding of entrepreneurship, provide opportunities to learn about it, and support activities to nurture entrepreneurs. Through conducting these activities with other organizations, JPX seeks to help Japan’s youth, who will be responsi-

ble for its future, to feel greater affinity toward entrepreneurship. Working together with teachers and regional communities, this project aids participants in identifying issues and opportunities and thinking about them on their own, and nurturing their abilities and mindset toward problem solving. JPX also believes that it is desirable to create an environment where people are ready to take on new challenges.



"OCOSO" educational magazine for entrepreneurs

### Thinking about Entrepreneur Education with Teachers Nationwide

JPX publishes an information magazine for entrepreneurs, OCOSO\*, for teachers of Japanese junior high and high schools. It is intended to encourage aspirations of wanting to "do something for the world." The magazine aims to nurture a "zest for life" in youth, to provide starting points for entrepreneur education in the classroom, and to encourage the entrepreneurial spirit. OCOSO is JPX's message to educators.

\*OCOSO means to start a business in Japanese.

For each issue, we interview entrepreneurs, people conducting research in this area, and others on the front lines of entrepreneur education. Entrepreneurs open up with their life experiences and episodes, researchers discuss their theories and studies, and educators share their thoughts, feelings, and opinions. With content that helps teachers think about issues, the magazine offers words and ideals that young adults and teens can readily relate to. Each and every aspect is treated with care to express the ideas and thoughts in easily understandable language.

### Offering Hands-on Experience of Starting a Business

JPX also has an Entrepreneur Experience Program for junior high and high school students. This program gives participants the opportunity to actually experience starting a business. They get to see how companies are managed overall using real money, and, with the



"OCOSO" educational magazine for entrepreneurs

cooperation of accountants and scriveners, they can gain experience and observe the process in a safe environment.

Program participants can experience the joy and difficulties of working and earning money, deepening their understanding of how the world works, and thereby nurture the "zest for life," a curiosity and dynamism required for future survival. In FY2014, about 30 persons participated in the five-day program. Some comments from participants include "Now, I have a dream, and I want to set up a business in the future," and "I grew and developed more than at any other time in my life." Looking ahead, JPX is considering expanding this program nationwide and expanding the circle of its acquaintances who share our vision.



Representatives of the winning team rang the bell to end the trading year.

Jointly sponsored contest held in the TSE Hall



Support contest conducted at the University of Tokyo

### Developing an Eco-System for Entrepreneur Education

JPX is conducting its entrepreneur education activities in collaboration with a range of related groups and is aiming to build an eco-system that will nurture entrepreneur education in society. Through the publication of OCOSO for teachers, JPX is endeavoring to spread and enlighten people about entrepreneur education. Also, through its Entrepreneur Experience Program, JPX is providing participants with real business experience. For youth looking to take the next step, JPX offers its Business Plan Contest and other activities that go deeper into entrepreneurship and act as a bridge to the next stage.

These follow-up activities include plans to conduct more entrepreneur education at elementary and junior high level, and providing support and cooperation for business plan contests for high school and college students to sow the seeds of the entrepreneurial spirit throughout society. Through these, JPX is expanding its reach to provide venues for collaboration among the private and public sectors and academia, and contribute to the revitalization of regional communities.

# Human Resources

## Relationships with Employees

### ■ Human Resource Development

Human resources is the most important factor in ensuring the sustainability of the corporate value of JPX. In accordance with the principle of "Competency," JPX endeavors to create workplaces where employees can take initiative in acquiring knowledge and building up expertise from the moment they join the Group, absorb the latest information, and develop a broad perspective and capabilities for creativity and innovation. Specifically, employees can take career-level training programs tailored to their periods of employment and job scope, enabling access to required knowledge to enhance their skills. JPX also provides opportunities for upgrading skills. Under this program, individual employees can select and attend lectures to improve their foreign language skills and acquire specialized knowledge based on their aptitude and career vision. Career development support is also available to help employees obtain MBAs and gain experience



Training in progress

through postings to overseas representative offices. Another HR development program involves sending personnel to external organizations. This program is intended at strengthening professional skills through secondments to securities companies, systems vendors, and government offices. By providing these various human resource development opportunities, JPX aims to enable employees to advance their careers and attain their full potential. By taking these opportunities, employees can gain the necessary knowledge to upgrade and develop their capabilities through a wide range of business activities. JPX is also working to enrich its training programs to provide employees with more options for development.

### ■ Promoting Diversity

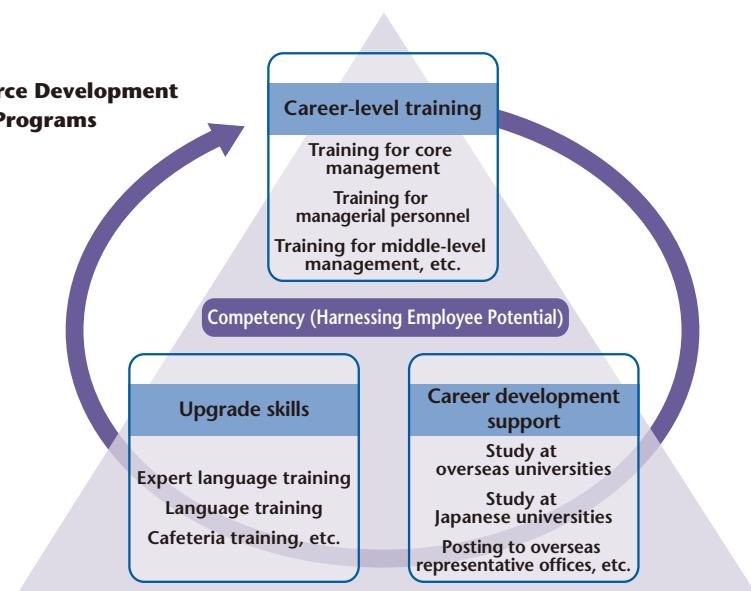
In FY2013, JPX formed a "Diversity Promotion Group" in its HR department. In accordance with the principle of "Competency" and allowing employees to attain their full potential, JPX strives to "create a working environment to harness the benefits of workplace diversity and allow employees to attain their potential." Some of the specific initiatives to realize this goal are as follows.

#### Accommodating Flexible and Diverse Work Styles

##### • Improvements in Support Systems: Childbirth and Childcare Leave and Caregiver Support

JPX is working to make improvements to systems to support childbirth, parenting, and caregiving. These improvements are aimed at harnessing the desire to

### Human Resource Development and Training Programs



continue working through providing greater flexibility in working arrangements that cater to the needs of diverse values and lifestyles.

JPX had already introduced systems that exceed legal requirements on provisions for childcare leave and shorter working hours for parents, as well as time off and leave to care for elderly family members. In FY2014, provisions were introduced related to flexible working shifts, reimbursement programs for use of childcare facilities for sick or recovering children, for extended childcare services, for travel to childcare facilities, and other benefits to support work-life balance. Further, to create a workplace where such systems and working arrangements are readily accepted, JPX is strengthening its efforts to provide information on the benefits and promote the use of the system while also supporting employees that return to work. JPX is also taking steps to create an office environment that is more conducive for work-life balance through further improving these systems, encouraging employees to take vacation, and reducing overtime throughout the company.

#### • Seminar on Nursing Care

In FY2014, JPX held seminars on nursing care to assist employees in achieving a balance between work and providing nursing care for family members. The seminars provide the necessary basic knowledge and information from specialists to employees who have anxiety about or interest in nursing care and, thereby, promote better understanding of nursing care.

### Improvements in Employee Benefits Related to Childbirth and Childcare Leave

Category	Details
Childcare leave (long-term)	<ul style="list-style-type: none"> <li>Available until child turns 3.</li> </ul>
Childcare time (shortened hours)	<ul style="list-style-type: none"> <li>Shorten working hours by up to 75 minutes until child completes elementary school 3rd grade.</li> <li>Available in 15-minute slots.</li> <li>No pay reduction until child turns 14 months old.</li> </ul>
Flex-time	<ul style="list-style-type: none"> <li>Available until child completes elementary school 3rd grade.</li> <li>Working hours can begin at 30-minute intervals between 7 a.m. and 7 p.m.</li> </ul>
Overtime restrictions	<ul style="list-style-type: none"> <li>Available until child completes elementary school 3rd grade (over a period of 1 month, up to 1 year).</li> </ul>
No overtime	<ul style="list-style-type: none"> <li>Available until child completes elementary school 3rd grade.</li> </ul>
Childcare leave (short-term)	<ul style="list-style-type: none"> <li>Until child turns 3, available multiple times throughout the year.</li> <li>Minimum 5 days (10 days recommended), paid leave. (Up to 60 days per year (use of unused paid leave forfeited in past 5 years))</li> </ul>
Childcare leave (illness)	<ul style="list-style-type: none"> <li>5 days (paid leave) per child until schooling age. 10 days for 2 or more children.</li> <li>Available in 1-hour, 0.5-day, and 1-day slots.</li> </ul>
Reimbursements and other programs	<ul style="list-style-type: none"> <li>Reimburse parents with half of the cost for temporary use of childcare facilities for sick or recovering children, and use of extended childcare services for children under 6 (up to ¥20,000 per month).</li> <li>Reimburse travel by parents of preschool children to childcare facilities.</li> </ul>

#### • Childcare Leave

JPX adopted its system for childcare leave to make it easier for employees to take time off and encourage males to be more involved in household chores and parenting. JPX employees with children below three can take up to 60 days of unused paid leave forfeited in the past five years for parenting. This system has also been welcomed by the company's working fathers.

#### • Leave for Refreshment, Medical Treatment, and Volunteer Work

A system that offers six vacation days for refreshment was introduced to encourage employees to take vacation during Golden Week (early May), New Year, and the summer and winter. Workers can use this system together with regular paid vacation to return to work refreshed from a longer holiday.

A medical leave system for injuries or illnesses unrelated to work activities also allows workers to take up to 60 days of unused paid leave forfeited in the past five years. JPX also has a system to support up to 10 days (or 15 days for employees above 50) of participation in disaster recovery assistance, social welfare, and environmental conservation volunteer work.

#### • Introduction of a System for Taking Annual Paid Leave on an Hourly Basis (Hourly Paid Leave)

To create office environments that are conducive to work and accommodate a diversity of lifestyles,

beginning in July 2015, JPX introduced a system for taking annual paid leave on an hourly basis. In addition to making it possible to use paid leave on a minimum of one hour basis, leave for taking care of sick children and for caregiving for elderly family members can also be used on an hourly basis.

#### • Re-Employment System

While maintaining a retirement age of 60, JPX has a system that allows employees to continue employment as contract workers, and is expanding support for those above 50 to change jobs and begin a second career. JPX also provides opportunities for employees aged 50 and 56 to obtain information on pension programs and financial planning and support to help them prepare for active retirement and further employment.

#### • Employment of the Handicapped

JPX provides employment opportunities for handicapped persons that are commensurate with their abilities and aptitudes.

### Promoting Activities of Female Employees

#### • Training for Female Employees

In addition to the enhancement of the previously mentioned leave systems for childbirth and child-rearing, with the aim of promoting awareness of women themselves, training for women employees is provided to help them cultivate independence and initiative in thinking and continue working.

### Initiatives for Active Communication

#### • Promoting Mutual Understanding Regarding Work between Employees and Their Families

In December 2014, JPX organized an event called "JPX Family Day" and invited the families of employees to visit its Tokyo and Osaka offices to

view the offices, attend economics lectures for parents and young children, and visit stalls run by management and employees. The aim of this event was to promote more-active communication and mutual understanding among employees and between employees and their families.

## II Employee Safety and Health

#### • Establishment of a Harassment Hotline

JPX pays close attention to individual rights and safety in the workplace and strives to create an environment conducive for work that is free of discrimination and harassment to allow employees to realize their potential. This is one of the key tenets in the JPX Charter of Corporate Behavior. To prevent harassment, JPX has established internal and external hotlines for employees to report and receive advice regarding sexual and power harassment.

#### • Mental Health

To help employees maintain physical and mental health, JPX provides channels for counseling over the telephone and in person. JPX has engaged mental health specialists as advisors to complement its existing mental healthcare system.

#### • Safety and Health Initiatives

Based on Japan's Industrial Safety and Health Act, JPX holds monthly meetings of its Health and Sanitation Committee comprising staff responsible for managing health and safety matters, company doctors, and employees. The committee discusses workplace environment and health issues to prevent adverse effects of working conditions on employee health and also makes recommendations to management as necessary.



JPX Family Day



# Data Section

## Energy Consumption at the TSE Building (electricity and gas)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
<b>Energy consumption at the TSE Building</b>										
<b>Total usage</b>										
Electricity (kwh)	8,207,656	8,127,304	8,338,920	8,132,632	7,921,216	7,435,466	6,079,696	6,272,280	6,413,800	6,135,360
Yearly change	—	(80,352)	211,616	(206,288)	(211,416)	(485,750)	(1,355,770)	192,584	141,520	(278,440)
City gas (m³)	344,276	318,860	359,636	349,994	343,707	362,622	319,200	341,276	304,248	300,295
Yearly change	—	(25,416)	40,776	(9,642)	(6,287)	18,915	(43,422)	22,076	(37,028)	(3,953)
<b>Per capita</b>										
Electricity (kwh)	11,274	11,013	10,901	10,078	9,660	9,214	7,686	7,715	7,297	7,044
Yearly change	—	(262)	(112)	(823)	(418)	(446)	(1,528)	29	(418)	(253)
City gas (m³)	473	432	470	434	419	449	404	420	346	344
Yearly change	—	(41)	38	(36)	(15)	30	(46)	29	(418)	(2)
<b>Emissions of greenhouse gases from the TSE Building</b>										
<b>Total emissions</b>										
CO <sub>2</sub> t-CO <sub>2</sub>	3,962	3,873	4,048	3,943	3,848	3,631	3,020	3,143	3,114	3,001
Yearly change	—	(89)	175	(105)	(95)	(217)	(611)	123	(29)	(113)
<b>Per capita</b>										
CO <sub>2</sub> t-CO <sub>2</sub>	5.44	5.25	5.29	4.89	4.69	4.5	3.82	3.87	3.54	3.44
Yearly change	—	(0.19)	0.04	(0.41)	(0.19)	(0.19)	(0.68)	0.05	(0.32)	(0.1)

\* The volume of greenhouse gas emissions is calculated according to the method specified in the System Plans for Countermeasures against Global Warming issued in the Tokyo Metropolitan Office Ordinance on Environmental Preservation.

## Data on Staff Composition

		FY2013	FY2014
<b>Composition by gender</b>			
Number of employees	All employees	1,029	<b>1,001</b>
	Male	742	<b>728</b>
	Ratio (%)	72.1%	<b>72.7%</b>
	Female	287	<b>273</b>
	Ratio (%)	27.9%	<b>27.3%</b>
Average years of service	All employees	17.1	<b>17.3</b>
	Male	15.6	<b>15.9</b>
	Female	21.1	<b>21.0</b>
<b>Number of female employees in management positions</b>			
	Employees in management positions	351	<b>350</b>
	Female	11	<b>13</b>
<b>Number of female/non-Japanese fresh graduate hires</b>			
Fresh graduate hires		17	<b>12</b>
	Female	4	<b>3</b>
	Non-Japanese	2	<b>0</b>
<b>Annual paid leave</b>			
Ratio of annual entitlement taken (%)		46.6%	<b>49.9%</b>
<b>Childcare leave</b>			
Number of female employees taking long-term childcare leave		23	<b>28</b>
Average length of absence (female employees)		351	<b>417</b>
Reentry ratio (%, female employees)		100%	<b>94.1%</b>
Number of male employees taking short-term childcare leave		1	<b>8</b>

\* Data is for the four main JPX companies: Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., and Japan Stock Exchange Regulation (excluding employees seconded to JPX and contract staff).



# Financial Data/ Corporate Data



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# Review of Operations and Financial Condition

## Financial Highlights of FY2014 (IFRS)

	(Millions of yen)		
	FY2013	FY2014	
		Year on year (%)	
<b>Operating Revenue</b>	113,846	106,167	(6.7)
<b>Operating Expenses</b>	59,244	52,863	(10.8)
<b>Operating Income</b>	53,343	53,529	0.3
<b>Net Income<sup>1</sup></b>	33,304	34,427	3.4
<b>EBITDA</b>	68,280	65,743	
<b>Dividends per Share<sup>2</sup> (yen)</b>	43.00	50.00	
<b>ROE (%)</b>	17.1	15.6	

Notes: 1. Net income here is "net income attributable to owners of the parent company," which is total net income minus net income attributable to non-controlling interests.

2. A 5-for-1 stock split conducted with an effective date of Oct. 1, 2013 is taken into account. A 2-for-1 stock split will be conducted with an effective date of Oct. 1, 2015.

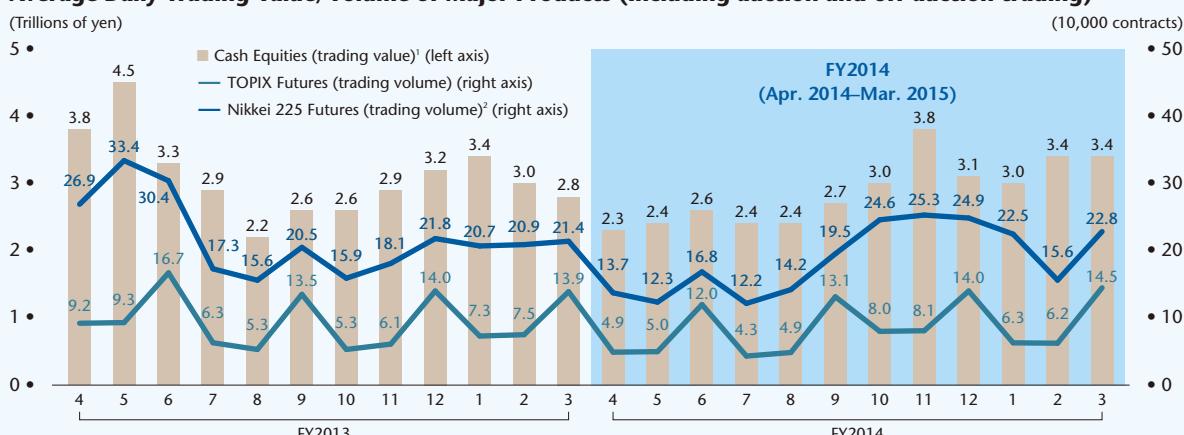
## Average Daily Trading Value/Volume of Major Products

	FY2013	FY2014	
		Year on year (%)	
<b>Equities (trading value)<sup>1</sup></b>	¥3,098.8 billion	¥2,856.4 billion	(7.8)
<b>TOPIX Futures (trading volume)</b>	94,297 contracts	84,785 contracts	(10.1)
<b>Nikkei 225 Futures<sup>2</sup> (trading volume)</b>	218,619 contracts	186,565 contracts	(14.7)
<b>Nikkei 225 Options (trading value)</b>	¥40.0 billion	¥27.8 billion	(30.3)
<b>10-year JGB Futures (trading volume)</b>	34,975 contracts	36,745 contracts	5.1

Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

2. Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

## Average Daily Trading Value/Volume of Major Products (Including auction and off-auction trading)



Notes: 1. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

2. Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

## Adoption of IFRS

From the perspective of facilitating comparisons of financial results of JPX with other exchanges located overseas and increasing investor convenience, JPX adopted the International Financial Reporting Standards (IFRS) in place of J-GAAP from the full-

year consolidated financial results for the year ended March 31, 2015. As such, the consolidated figures for the previous fiscal year are indicated based on IFRS.

## Summary of Performance

During the fiscal year ended March 2015, the Japanese economy continued its modest recovery as corporate performance improved thanks to the correction of the strong yen, although consumer spending was soft as a result of the consumption tax hike. In the stock market, prices increased significantly due to the rapid weakening of the yen after an additional monetary easing policy announced by the Bank of Japan at the end of October 2014, with the TOPIX reaching 1,543.11 points at the end of this fiscal year (up 340.22 points from the previous fiscal year).

Under such circumstances, JPX aimed for the realization of our future vision of becoming "the most preferred exchange in Asia, providing high-quality services with creativity, reliability, and a dedication to the public," while prioritizing our core strategies - "Creation of a New Japanese Stock Market," "Expansion of the Derivatives Market," "Expansion of Exchange Business Fields," "Asia Strategy," and "Early Realization of Integration Benefits" set forth in our Medium-Term Management Plan (FY2013-FY2015). These strategies mostly progressed in a steady manner.

## Consolidated Statements of Income

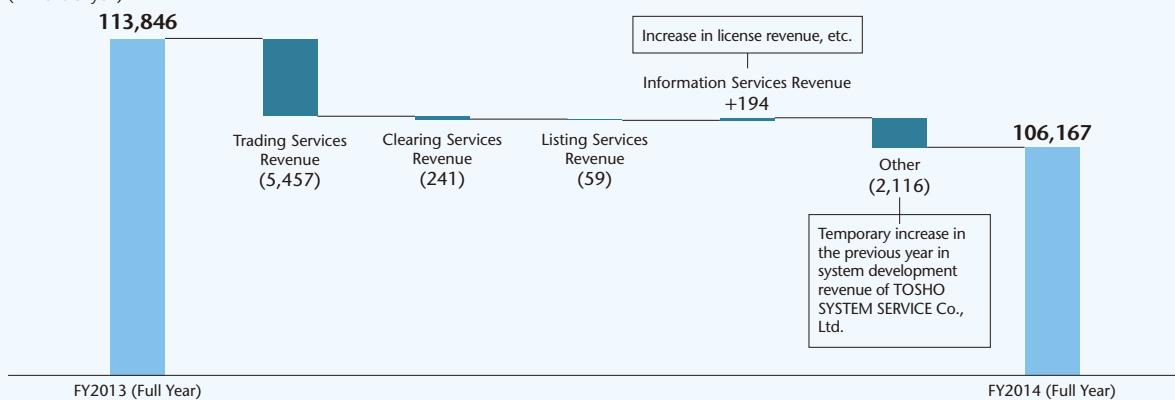
### ■ Operating Revenue

Compared with the fiscal year ended March 2014, when trading of cash equities and derivatives was boosted by the positive effects of Abenomics,

operating revenue decreased ¥7,678 million (6.7%) to ¥106,167 million.

### Operating Revenue

(Millions of yen)



## Operating Revenue

	FY2013 (Apr. 1, 2013–Mar. 31, 2014)		FY2014 (Apr. 1, 2014–Mar. 31, 2015)		
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Year on year
Trading Services Revenue	54,155	47.6%	48,698	45.9%	(10.1%)
Transaction Fees	45,347		40,221		(11.3%)
Cash Equities	32,058	70.7% <sup>1</sup>	28,705	71.4% <sup>1</sup>	(10.5%)
Derivatives	13,288	29.3% <sup>1</sup>	11,515	28.6% <sup>1</sup>	(13.3%)
TOPIX Futures	1,952		1,816		(7.0%)
Nikkei 225 Futures (incl. Nikkei 225 mini)	4,795		4,382		(8.6%)
Nikkei 225 Options	4,661		3,374		(27.6%)
10-year JGB Futures	1,625		1,679		3.4%
Others	253		261		3.3%
Basic Fees	1,183		1,067		(9.8%)
Access Fees	4,980		4,730		(5.0%)
Trading System Facilities Usage Fees	2,544		2,600		2.2%
Others	101		79		(21.2%)
Clearing Services Revenue	20,334	17.9%	20,092	18.9%	(1.2%)
Listing Services Revenue	12,308	10.8%	12,249	11.5%	(0.5%)
Initial/Additional Listing Fees	5,287		4,762		(9.9%)
Annual Listing Fees	7,020		7,486		6.6%
Information Services Revenue	16,116	14.2%	16,311	15.4%	1.2%
Other Operating Revenue	10,931	9.6%	8,815	8.3%	(19.4%)
Total	113,846	100.0%	106,167	100.0%	(6.7%)

Note: 1. Figures indicate percentage of Transaction Fees.

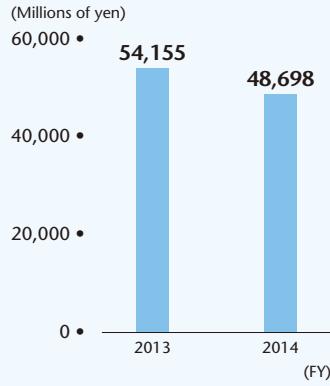
## <Reference>

	FY2013 (Apr. 1, 2013–Mar. 31, 2014)		FY2014 (Apr. 1, 2014–Mar. 31, 2015)	
	As of Mar. 31, 2014	As of Mar. 31, 2015	As of Mar. 31, 2014	As of Mar. 31, 2015
TOPIX	991.34 points–1,306.23 points	1,202.89 points	1,132.76 points–1,592.25 points	1,543.11 points
Nikkei 225	¥12,003.43–¥16,291.31	¥14,827.83	¥13,910.16–¥19,754.36	¥19,206.99
JPX-Nikkei 400	9,060.52 points–11,800.26 points	10,893.94 points	10,314.83 points–14,475.35 points	14,022.96 points

## 1. Trading services revenue

Trading services revenue comprises “Basic Fees” based on the types of the trading participant’s trading qualification, “Transaction Fees” based on the value of securities traded or volume of derivatives traded, “Access Fees” based on the number of orders, and “Trading System Facilities Usage Fees” based on the types of trading system facilities used. During the fiscal year ended March 31, 2015, trading services revenue decreased 10.1% year on year to ¥48,698 million due to a decrease in trading of cash equities and derivatives.

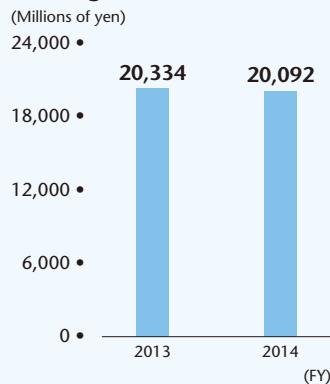
### Trading Services Revenue



## 2. Clearing services revenue

Clearing services revenue is derived from clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation. During the fiscal year ended March 31, 2015, clearing services revenue decreased 1.2% year on year to ¥20,092 million due to decreases in cash equity and derivatives trading volume, which are the main clearing product segments, despite the inclusion of full-year OTC JGB clearing revenue of former Japan Government Bond Clearing Corporation, which was merged in October 2013, and an increase in revenue from interest rate swap clearing.

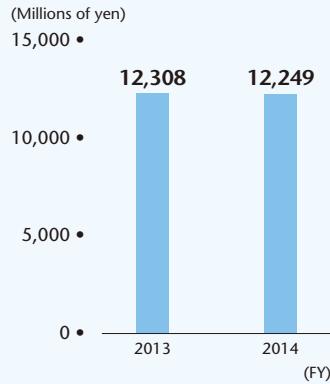
### Clearing Services Revenue



## 3. Listing services revenue

Listing services revenue comprises the “Initial/Additional Listing Fees” that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and “Annual Listing Fees” received from listed companies based on their market capitalization. During the fiscal year ended March 31, 2015, listing services revenue decreased 0.5% year on year to ¥12,249 million due to a decrease in amount of financing by listed companies.

### Listing Services Revenue



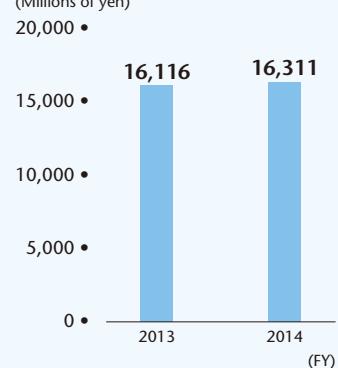
#### **4. Information services revenue**

Information services revenue is comprised of income related to the provision of corporate action information and various other information, primarily consisting of fees for market information provided to information vendors (market information fees), and also income related to the index business.

During the fiscal year ended March 31, 2015, information services revenue increased 1.2% year on year to ¥16,311 million, due to an increase in licensing revenues related to new JPX-Nikkei 400 index business.

#### **Information Services Revenue**

(Millions of yen)



#### **5. Other operating revenue**

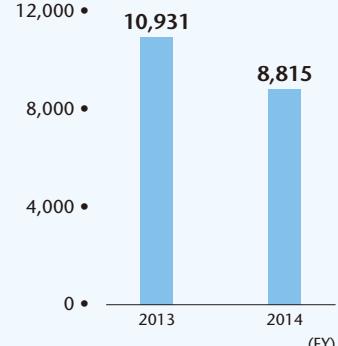
Other operating revenue consists of "Network line usage fees," "Co-location usage fees," "Proximity usage fees," and fees for system development and operations provided by TOSHO SYSTEM SERVICE Co., Ltd.

"Network line usage fees" are related to networks that connect trading systems, market information systems, etc. to trading participants and users. "Co-location usage fees" are those for services that allow trading participants to place their devices, etc. within the system center for the purpose of accelerating trade execution, etc. "Proximity usage fees" are those for proximity services that offer diverse connectivity options to domestic and foreign markets, and are provided to trading participants and other market users, such as information vendors.

During the fiscal year ended March 31, 2015, other operating revenue decreased 19.4% year on year to ¥8,815 million, a significant decline from the previous year in which fees for system development and operations in connection with a large-scale system development project were included.

#### **Other Operating Revenue**

(Millions of yen)



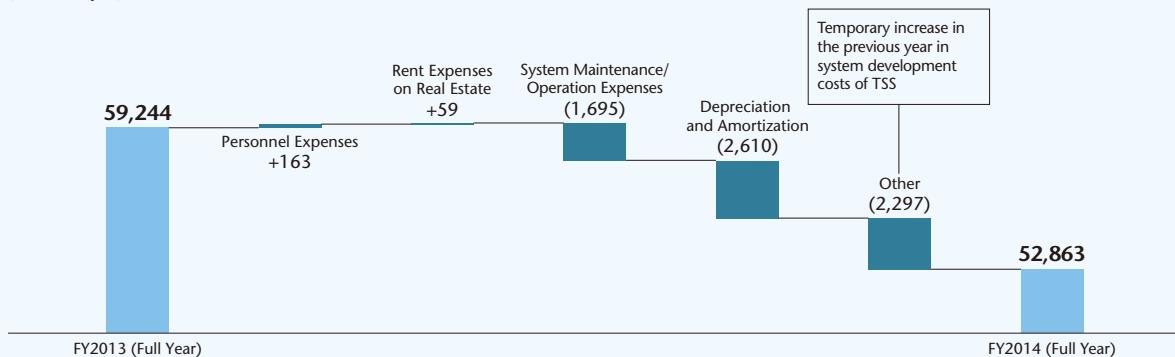
## ■ Operating Expenses

Operating expenses decreased substantially because of the decline in costs of system maintenance and operation expenses, depreciation and amortization due to the cash equities and derivatives systems

integration in the previous year. Total operating expenses decreased 10.8% year on year to ¥52,863 million.

### Operating Expenses

(Millions of yen)



### Operating Expenses

	(Millions of yen)	
	FY2013 (Apr. 1, 2013–Mar. 31, 2014)	FY2014 (Apr. 1, 2014–Mar. 31, 2015)
Personnel Expenses	15,101	15,265
System Maintenance and Operation Expenses	11,642	9,947
Depreciation and Amortization	13,413	10,803
Rent Expenses on Real Estate	5,900	5,959
Other	13,185	10,888
Total	59,244	52,863

## ■ Basic Policy for Allocation of Profit

JPX adopts a dividend policy with a target payout ratio of about 40% tied to business performance while giving due consideration to the importance of internal reserves for maintaining sound financial health as a financial instruments exchange group, preparing for risks as a clearing organization, and

seizing investment opportunities to raise the competitiveness.

Going forward, JPX will continue to improve its return to shareholders and has set about 60% as a target payout ratio for the year ending March 2016 and subsequent years.

# Consolidated Statement of Financial Position (IFRS)

	(Millions of yen)	
	As of March 31, 2014	As of March 31, 2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	50,713	60,114
Trade and other receivables	9,080	10,300
Clearing business financial assets	16,049,798	25,635,085
Specified assets for deposits from clearing participants	1,128,362	1,795,095
Specified assets for legal guarantee funds	522	492
Income tax receivables	1,411	4,693
Other financial assets	53,903	42,869
Other current assets	1,282	1,844
<b>Total current assets</b>	<b>17,295,075</b>	<b>27,550,495</b>
<b>Non-current assets</b>		
Property and equipment	7,066	8,573
Goodwill	67,374	67,374
Intangible assets	23,878	27,631
Retirement benefit assets	3,730	5,424
Investments accounted for using the equity method	6,443	6,806
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	32,968	39,682
Other non-current assets	5,693	5,605
Deferred tax assets	9,767	7,230
<b>Total non-current assets</b>	<b>184,871</b>	<b>196,276</b>
<b>Total assets</b>	<b>17,479,946</b>	<b>27,746,771</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	5,431	4,712
Loans payable	32,500	32,500
Clearing business financial liabilities	16,049,798	25,635,085
Deposits from clearing participants	1,128,362	1,795,095
Legal guarantee funds	522	492
Trading participant security money	4,783	7,437
Income tax payables	17,600	7,852
Other current liabilities	5,506	5,626
<b>Total current liabilities</b>	<b>17,244,506</b>	<b>27,488,802</b>
<b>Non-current liabilities</b>		
Loans payable	10,000	—
Retirement benefit liabilities	6,717	7,039
Other non-current liabilities	983	2,488
Deferred tax liabilities	4,961	6,875
<b>Total non-current liabilities</b>	<b>22,662</b>	<b>16,403</b>
<b>Total liabilities</b>	<b>17,267,169</b>	<b>27,505,206</b>
<b>Equity</b>		
Share capital	11,500	11,500
Capital surplus	59,726	59,726
Treasury shares	(5)	(5)
Other components of equity	9,225	14,828
Retained earnings	126,655	149,562
Total equity attributable to owners of the parent company	207,101	235,611
Non-controlling interests	5,675	5,954
<b>Total equity</b>	<b>212,777</b>	<b>241,565</b>
<b>Total liabilities and equity</b>	<b>17,479,946</b>	<b>27,746,771</b>

# Consolidated Statement of Income/Consolidated Statement of Comprehensive Income (IFRS)

<b>Consolidated Statement of Income</b>		(Millions of yen)	
		Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
<b>Revenue</b>			
Operating revenue		113,846	106,167
Other revenue		206	318
Total revenue		114,052	106,486
<b>Expenses</b>			
Operating expenses		59,244	52,863
Other expenses		1,520	610
Total expenses		60,764	53,473
Share of income of investments accounted for using the equity method		55	516
Operating income		53,343	53,529
Financial income		1,524	1,400
Financial expenses		81	41
Income before income tax		54,786	54,887
Income tax expense		21,244	20,171
Net income		33,541	34,716
<b>Net income attributable to</b>			
Owners of the parent company		33,304	34,427
Non-controlling interests		236	288
Net income		33,541	34,716
<b>Earnings per share</b>			
Basic (Yen)		121.31	125.41
Diluted (Yen)		—	—

<b>Consolidated Statement of Comprehensive Income</b>		(Millions of yen)	
		Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net income		33,541	34,716
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income		(506)	5,631
Remeasurements of defined benefit plan		1,157	803
Share of other comprehensive income of investments accounted for using the equity method		0	(0)
<b>Other comprehensive income, net of tax</b>		650	6,435
<b>Comprehensive income</b>		34,191	41,152
<b>Comprehensive income attributable to</b>			
Owners of the parent company		33,954	40,863
Non-controlling interests		236	288
Comprehensive income		34,191	41,152

# Consolidated Statement of Changes in Equity (IFRS)

	(Millions of yen)				
	Equity attributable to owners of the parent company			Other components of equity	
	Share capital	Capital surplus	Treasury shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plan
<b>Balance as of April 1, 2013</b>	<b>11,500</b>	<b>59,726</b>	—	<b>9,732</b>	—
Net income	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(506)	1,157
Total comprehensive income	—	—	—	(506)	1,157
Acquisitions of treasury shares	—	—	(5)	—	—
Dividends paid	—	—	—	—	—
Changes of interests in subsidiaries without losing control	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(1,157)
Total transactions with the owners	—	—	(5)	—	(1,157)
<b>Balance as of March 31, 2014</b>	<b>11,500</b>	<b>59,726</b>	(5)	<b>9,225</b>	—
Net income	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	5,631	803
Total comprehensive income	—	—	—	5,631	803
Dividends paid	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(29)	(803)
Total transactions with the owners	—	—	—	(29)	(803)
<b>Balance as of March 31, 2015</b>	<b>11,500</b>	<b>59,726</b>	(5)	<b>14,828</b>	—

	(Millions of yen)				
	Equity attributable to owners of the parent company			Other components of equity	
	Total	Retained earnings	Total	Noncontrolling interests	Total equity
<b>Balance as of April 1, 2013</b>	<b>9,732</b>	<b>100,978</b>	<b>181,937</b>	<b>2,548</b>	<b>184,485</b>
Net income	—	33,304	33,304	236	33,541
Other comprehensive income, net of tax	650	—	650	—	650
Total comprehensive income	650	33,304	33,954	236	34,191
Acquisitions of treasury shares	—	—	(5)	—	(5)
Dividends paid	—	(8,785)	(8,785)	(2)	(8,787)
Changes of interests in subsidiaries without losing control	—	—	—	2,892	2,892
Transfer from other components of equity to retained earnings	(1,157)	1,157	—	—	—
Total transactions with the owners	(1,157)	(7,627)	(8,790)	2,890	(5,899)
<b>Balance as of March 31, 2014</b>	<b>9,225</b>	<b>126,655</b>	<b>207,101</b>	<b>5,675</b>	<b>212,777</b>
Net income	—	34,427	34,427	288	34,716
Other comprehensive income, net of tax	6,435	—	6,435	—	6,435
Total comprehensive income	6,435	34,427	40,863	288	41,152
Dividends paid	—	(12,353)	(12,353)	(10)	(12,364)
Transfer from other components of equity to retained earnings	(832)	832	—	—	—
Total transactions with the owners	(832)	(11,521)	(12,353)	(10)	(12,364)
<b>Balance as of March 31, 2015</b>	<b>14,828</b>	<b>149,562</b>	<b>235,611</b>	<b>5,954</b>	<b>241,565</b>

# Consolidated Statement of Cash Flows (IFRS)

Consolidated Statement of Cash Flows	(Millions of yen)	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
<b>Cash flows from operating activities</b>		
Income before income tax	54,786	54,887
Depreciation and amortization	13,792	11,365
Impairment losses (or reversal of impairment losses)	1,203	301
Financial income	(1,524)	(1,400)
Financial expenses	81	41
Share of income of investments accounted for using the equity method	(55)	(516)
(Increase) decrease in trade and other receivables	2,224	(1,219)
Increase (decrease) in trade and other payables	(297)	(327)
(Increase) decrease in retirement benefit assets	(2,002)	(1,694)
Increase (decrease) in retirement benefit liabilities	(170)	321
Other	4,504	5,080
<b>Subtotal</b>	<b>72,544</b>	<b>66,840</b>
Interest and dividends received	1,802	1,563
Interest paid	(82)	(42)
Income taxes paid	(11,542)	(31,015)
<b>Cash flows generated from operating activities</b>	<b>62,722</b>	<b>37,346</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(65,700)	(65,100)
Proceeds from withdrawal of time deposits	104,100	76,100
Purchase of property and equipment	(1,808)	(3,623)
Purchase of intangible assets	(9,825)	(13,232)
Net cash increase from acquisition of subsidiaries	3,592	—
Other	(322)	292
<b>Cash flows generated from (used in) investing activities</b>	<b>30,035</b>	<b>(5,563)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans payable	42,500	—
Repayments of loans payable	(105,069)	(10,000)
Dividends paid	(8,785)	(12,353)
Other	(7)	(10)
<b>Cash flows used in financing activities</b>	<b>(71,362)</b>	<b>(22,364)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,395</b>	<b>9,418</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>29,308</b>	<b>50,713</b>
<b>Effect of changes in exchange rate on cash and cash equivalents</b>	<b>8</b>	<b>(17)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>50,713</b>	<b>60,114</b>

# Market Data

## TOPIX OHLC Prices (Apr. 1, 2014-Mar. 31, 2015)

	Open	High	Low	Close	(Points)
	1,204.25 (Apr. 1)	1,592.25 (Mar. 23)	1,132.76 (Apr. 4)	1,543.11 (Mar. 31)	

Note: Based on closing price of each trading day

## Trading Value/Volume

	FY2013 Full Year (Apr. 1, 2013– Mar. 31, 2014)	1Q (Apr. 1, 2014– Jun. 30, 2014)	2Q (Jul. 1, 2014– Sep. 30, 2014)	3Q (Oct. 1, 2014– Dec. 31, 2014)	4Q (Jan. 1, 2015– Mar. 31, 2015)	FY2014 Full Year (Apr. 1, 2014– Mar. 31, 2015)
<b>Cash Equities Trading Value (Millions of yen)</b>						
TSE market 1st/2nd sections <sup>1,2</sup>	661,174,697	128,665,627	132,276,215	171,078,880	168,409,808	600,430,531
Mothers <sup>1</sup>	32,774,501	8,173,604	9,120,144	9,460,573	5,927,163	32,681,486
JASDAQ <sup>1</sup>	28,093,170	6,429,667	6,352,007	4,653,689	4,827,723	22,263,088
ETFs/ETNs, REITs, etc.	37,155,350	8,205,419	7,749,624	15,082,345	16,264,620	47,302,010
<b>Derivatives Trading Volume (Contracts)</b>						
(Nikkei 225 Options on a value basis)						
TOPIX Futures	23,102,699	4,540,465	4,596,852	6,155,327	5,564,453	20,857,097
Total Nikkei 225 Futures <sup>3</sup>	53,561,632	8,889,164	9,562,272	15,184,014	12,259,555	45,895,007
Nikkei 225 Futures	30,519,035	5,111,644	5,422,599	8,402,820	6,656,040	25,593,103
Nikkei 225 mini	230,425,970	37,775,200	41,396,736	67,811,949	56,035,157	203,019,042
Nikkei 225 Options (Millions of yen)	9,789,980	1,414,182	1,345,023	2,397,712	1,693,811	6,850,730
10-year JGB Futures	8,568,919	1,924,624	2,329,798	2,420,837	2,363,988	9,039,247

## Average Daily Trading Value/ Volume

	FY2013 Full Year (Apr. 1, 2013– Mar. 31, 2014)	1Q (Apr. 1, 2014– Jun. 30, 2014)	2Q (Jul. 1, 2014– Sep. 30, 2014)	3Q (Oct. 1, 2014– Dec. 31, 2014)	4Q (Jan. 1, 2015– Mar. 31, 2015)	FY2014 Full Year (Apr. 1, 2014– Mar. 31, 2015)
<b>Cash Equities Trading Value<sup>4</sup> (Millions of yen)</b>						
	3,098,766	2,443,134	2,468,222	3,283,205	3,257,155	2,856,411
<b>Derivatives Trading Volume (Contracts)</b>						
(Nikkei 225 Options on a value basis)						
TOPIX Futures	94,297	73,233	72,966	100,907	92,741	84,785
Total Nikkei 225 Futures <sup>3</sup>	218,619	143,374	151,782	248,918	204,326	186,565
Nikkei 225 Futures	124,567	82,446	86,073	137,751	110,934	104,037
Nikkei 225 mini	940,514	609,277	657,091	1,111,671	933,919	825,281
Nikkei 225 Options (Millions of yen)	39,959	22,809	21,350	39,307	28,230	27,848
10-year JGB Futures	34,975	31,042	36,981	39,686	39,400	36,745

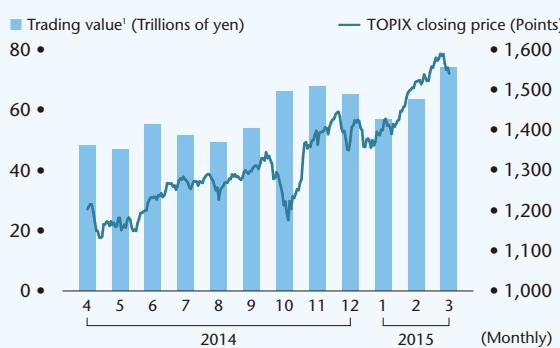
Notes: 1. Trading value of common stocks in the auction and off-auction trading

2. Including trading value in former OSE 1st/2nd sections

3. Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

4. Total of trading value of common stocks on TSE 1st/2nd Sections (including former OSE 1st/2nd Sections), Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs, etc.

## Trends in TOPIX and Equity Trading Value



Note: 1. Total of trading value of common stocks on TSE 1st/2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market.

## Derivatives Trading Volume



Note: 1. Summation of transaction value in all derivatives

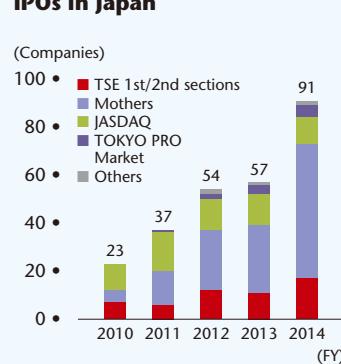
## Annual ETF/ETN Trading Value



## REIT Trading Value



## IPOs in Japan



# Corporate Information/Major Group Companies

(As of March 31, 2015)

## Corporate Information

**Company Name:** Japan Exchange Group, Inc.

**Number of Directors:** 13 directors,  
7 executive officers  
(As of June 16, 2015)

**Location of Head Office:**

2-1 Nihombashi-kabuto-cho, Chuo-ku,  
Tokyo 103-8224, Japan

**Foundation:** April 1, 1949

**Amount of Capital:** ¥11,500 million

**Number of Employees:** 1,131 (Consolidated)

**Breakdown:**

Japan Exchange Group, Inc.	219
Tokyo Stock Exchange, Inc.	429
Osaka Exchange, Inc.	138
Japan Exchange Regulation	195
Other consolidated subsidiaries	150

**Business Description:**

Management of a stock company-type financial instruments exchange and other business incidental thereto

## Information Regarding Corporate Group

The JPX corporate group comprises five subsidiaries and three companies accounted for under the equity method, and its primary operations are the development and operation of markets for exchange-traded financial instruments. Specifically, these include operations such as (i) providing

market facilities for securities trading, securities index futures trading, and securities options trading, (ii) publicizing market quotations and ensuring fairness of securities trading, and (iii) providing financial instruments obligation assumption services.

Company name	Address	Share Capital (Millions of yen)	Holding Ratio of Voting Rights (indirect holding)	Principal Businesses
Tokyo Stock Exchange, Inc.	Chuo-ku, Tokyo	11,500	100.0	Market operations
Osaka Exchange, Inc.	Chuo-ku, Osaka	4,723	100.0	Market operations
Japan Exchange Regulation	Chuo-ku, Tokyo	3,000 <sup>1</sup>	100.0	Self-regulatory operations
Japan Securities Clearing Corporation	Chuo-ku, Tokyo	8,950 <sup>2</sup>		Clearing operations for trading in marketable securities
TOSHO SYSTEM SERVICE Co., Ltd.	Chuo-ku, Tokyo	100	80.0 (80.0)	Systems development, etc.

Notes: 1. The amount indicated under "Share capital" for Japan Exchange Regulation is non-stock capital.

2. The ownership ratio of Japan Securities Clearing Corporation is 99.2% of Class-A stock, 100.0% of Class-B stock, 58.2% of Class-C stock, and 52.9% of Class-D stock.

# History of JPX

The Tokyo and Osaka exchanges were established in 1878, soon after the Meiji Restoration and the start of Japan's modern era. Constantly changing with the times and serving as the engine of the Japanese economy, JPX will continue to drive sustainable economic growth in Japan and contribute to the global economy.

## 1878–

**Driving the modernization of Japan**

In 1878, Eiichi Shibusawa, who is known as the father of capitalism in Japan, founded Tokyo Stock Exchange. That same year, Tomoatsu Godai, a businessman who was instrumental in the economic development of Osaka, founded Osaka Stock Exchange.



## 1945–

**Reconstruction and paving Japan's road to financial independence**

In April 1949, Tokyo Stock Exchange (TSE) and Osaka Securities Exchange (OSE) are established as membership organizations and begin equity trading in May of that year.



## 1960–

**Rapid economic growth**

In 1974, TSE begins operating a market information system, and then, in 1982, it activates a Second Section market trading system, thereby driving the modernization of the securities market.



## 1985–

**Support for globalization**

In 1985, TSE begins trading of government bonds futures. This was followed in 1988 by trading of TOPIX futures on TSE and trading of Nikkei Stock Average (Nikkei 225) futures on OSE.



### Key Economic Events

#### 1878

TSE and OSE begin trading

#### 1944

Japan pegs yen exchange rate to the U.S. dollar

#### 1965

First deficit-financing bonds are issued

#### 1971

Nixon shock

#### 1882

Bank of Japan founded

#### 1952

Japan joins the IMF

#### 1973

Yen transitions to floating exchange rate  
1st oil crisis

#### 1929

The Great Depression

#### 1979

2nd oil crisis

#### 1878

#### 1920

#### 1950

#### 1960

#### 1970

#### 1980

#### 1914

World War I

#### 1956

Japan joins the UN

#### 1964

Tokyo Olympics

#### 1939

World War II

#### 1980

Iran-Iraq War

### Key Historical Events

**1990–****Laying the foundations for future growth**

In 1999, TSE launches Mothers, a market for new emerging companies, with OSE following suit in 2000 in the form of Nasdaq Japan (now integrated into JASDAQ).

In 1999, the trading floors at both TSE and OSE are closed. After this, buying and selling of stocks and other listed issues becomes computerized.

**2000–****Toward a new era as an exchange**

In 2001, amid increasing global market competition, TSE and OSE become stock corporations.

In 2004, OSE lists on OSE Hercules to become Japan's first public exchange.

**2013–****Birth of JPX**

Japan Exchange Group was formed on January 1, 2013 through the merger between TSE Group and OSE.

**1985**

Plaza Accord

**1987**

Black Monday

**1989**

Nikkei Stock Average reaches record high of ¥38,915.87

**1997**

Asian currency crisis

**1999**

Bank of Japan's zero interest rate policy

**2007**

Global financial crisis

**2002**

Euro goes into circulation

**2013**

Monetary easing policy under Abenomics

**1990**

German reunification

**1995**

Great Hanshin-Awaji Earthquake

**2000**

9/11 terrorist attacks in the U.S.

**2005**

War in Iraq begins

**2010**

Great East Japan Earthquake

**1991**

The Soviet Union collapses

**1997**

Hong Kong returns to China

# Stock Information

## Stock Information

**Stock Code:** 8697  
**Listed Market:** Tokyo Stock Exchange (1st Section)  
**Business Year:** From April 1 to March 31  
**Annual General Shareholders' Meeting:** In June  
**Record Date:** Annual General Shareholders' Meeting March 31  
Year-end dividend March 31  
Interim dividend September 30

**Number of Shares in One Trading Unit:** 100 shares

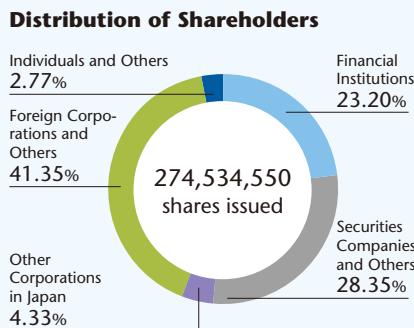
**Number of Shares:**

Total number of shares authorized to be issued: 1,090,000,000 shares  
Total number of shares issued: 274,534,550 shares

**Number of Shareholders:** 15,304

Note: Figures are as of March 31, 2015. A 2-for-1 stock split will be conducted with an effective date of October 1, 2015.

## JPX's Shareholders (As of March 31, 2015)



## Major Shareholders

	No. of Shares Held (thousands)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,856	2.86
SMBC Friend Securities Co., Ltd.	7,557	2.75
STATE STREET BANK AND TRUST COMPANY	7,467	2.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,211	2.26
THE CHASE MANHATTAN BANK 385036	5,311	1.93
SAJAP	4,665	1.70
Mizuho Securities Co., Ltd.	4,290	1.56
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,778	1.38
Okachi Securities Co., Ltd.	3,500	1.27
TACHIBANA SECURITIES CO., LTD.	3,443	1.25

Note: Shareholding ratios are calculated after deducting treasury shares (2,655 shares).

## JPX's Stock Price (Rebased to 100 on January 6, 2014)



## Website

For further details, please access our website.

### About JPX

<http://www.jpx.co.jp/> (Japanese)

<http://www.jpx.co.jp/english/> (English)

### Investor Relations

<http://www.jpx.co.jp/corporate/investor-relations/index.html> (Japanese)

<http://www.jpx.co.jp/english/corporate/investor-relations/index.html> (English)



### About JPX Logo

The logo expresses our aspirations toward dynamic and international growth in our ambition to become Asia's No. 1 market.

The four rising bars represent the 4 C's of our creed—adopting a "Customer First" approach of prioritizing customer needs, building "Credibility" and public confidence, "Creativity" in pursuing innovative solutions, and "Competency" by harnessing employee potential.

### For inquiries, please contact:

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Chuo-ku, Tokyo 103-8224, Japan

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# 2015 Report on Exchange Groups in Japan