



JPX
JAPAN EXCHANGE
GROUP

IR Presentation Material

Japan Exchange Group, Inc.

January 30, 2013

- I. Outline of Japan Exchange Group (JPX)
- II. Basic Policies of the Medium-term Management Plan (FY 2013 – FY 2015)
- III. FY 2012, 3rd Quarterly Earnings Report
- IV. Reference Material

** Our financial year starts on April 1 and ends on March 31.*

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I . Outline of Japan Exchange Group (JPX)



Establishment of Japan Exchange Group (JPX)

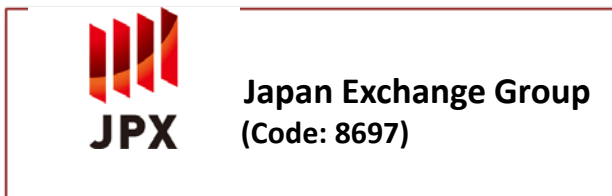
- TSE and OSE, with their respective strengths in cash equities and derivatives, conducted a business combination in January 2013.
- The business combination will improve market user convenience and strengthen international competitiveness through expanded scale and greater efficiency.



- A comprehensive exchange at the global forefront in terms of market scale, featuring the TSE 1st Section, TOPIX Futures, and JGB Futures
- A vertical-silo group structure spanning listing, trading, and clearing/settlement
- Dominance of cash equity market, supported by brand-power

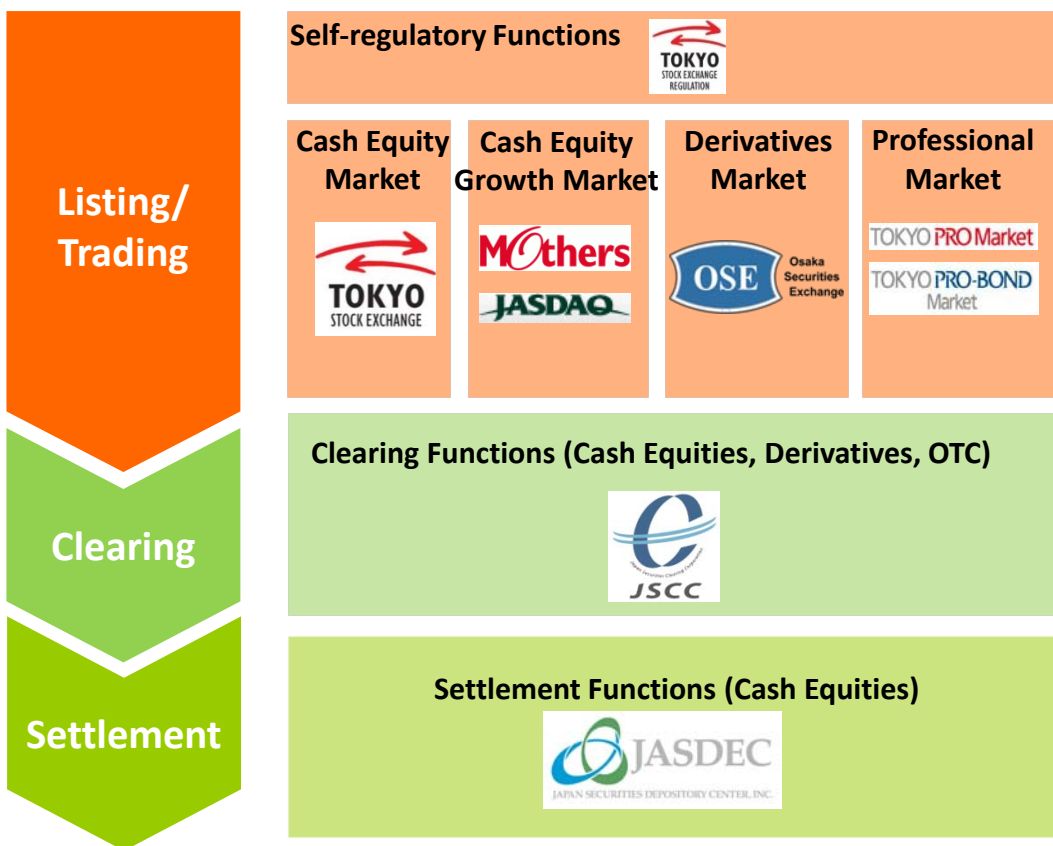


- An exchange with the leading domestic share of derivatives trading, featuring Nikkei 225 Futures/Options
- Operates JASDAQ, a growth market
- Only listed domestic exchange

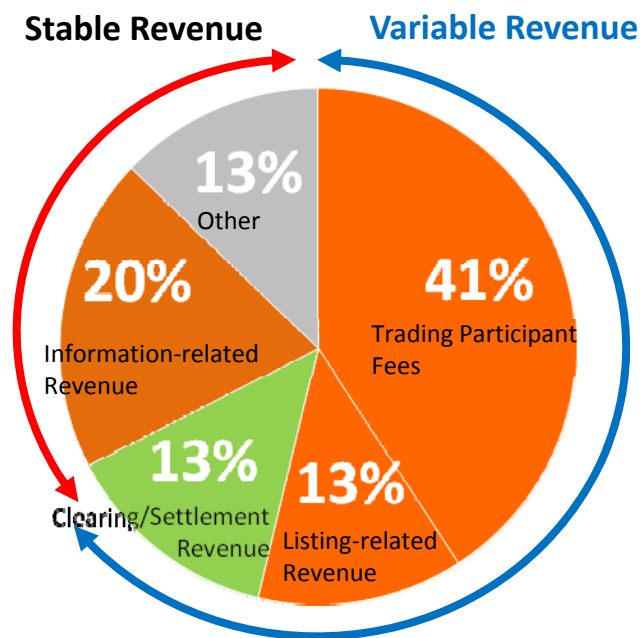


Diversified Horizontal/Vertical Business Model

- Trading available in diverse listed products, from cash equity to derivatives
- Develop high added-value business via vertical integration of listing/trading, clearing/settlement, and information services.



JPX Revenue Structure



3Q FY2012 (Cumulative)
(Total of Former TSEG and OSE 1st & 2nd Quarters)

“Your Exchange of Choice”

- Support Economic Growth in Japan and Asia
as the Most Preferred Exchange in the Asian Region -

Japan

- Revitalize the Japanese economy through the provision of risk money
- Support pro-active investment and overseas development for listed companies by facilitating fund-raising
- Contribute to efficient domestic asset management through the provision of efficient investment opportunities in diverse listed products

Asia

- With global top-class economic scale and infrastructure, utilize confidence in the Japanese market to promote the flow of the Japanese & international investment assets into Asia
- Become a financial hub in Asia, connecting Japanese & international investment needs with Asia’s demands for funds

Global

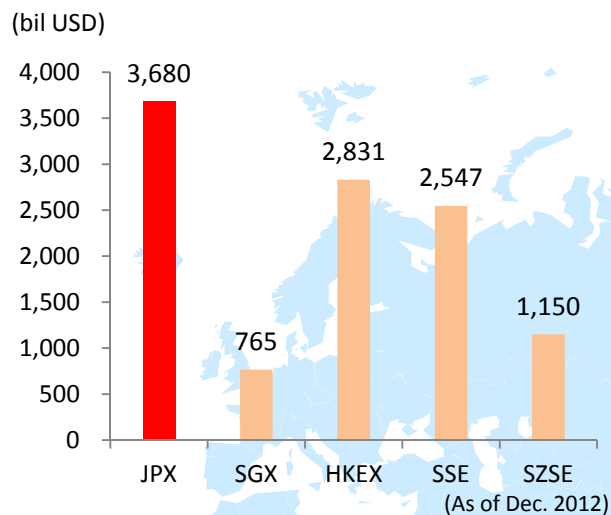
- Leverage geographical advantage within Asia, a global economic growth engine, and secure standing as a global player

As the Most Preferred Exchange in the Asian Region

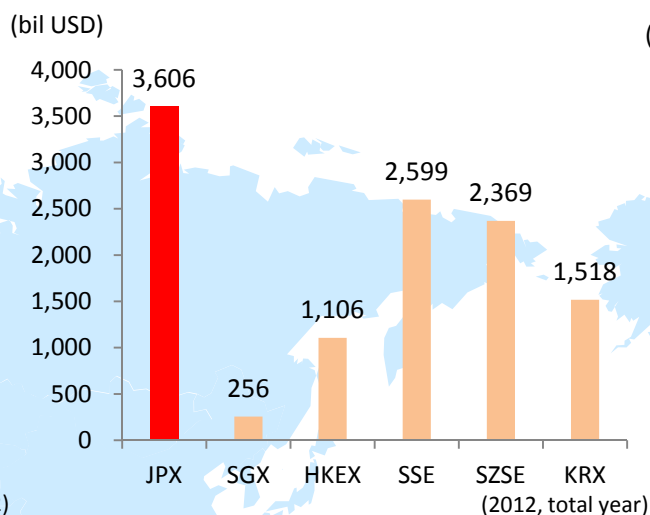
■ Connect Asia with the US, Europe, and Japan and lead Asian growth



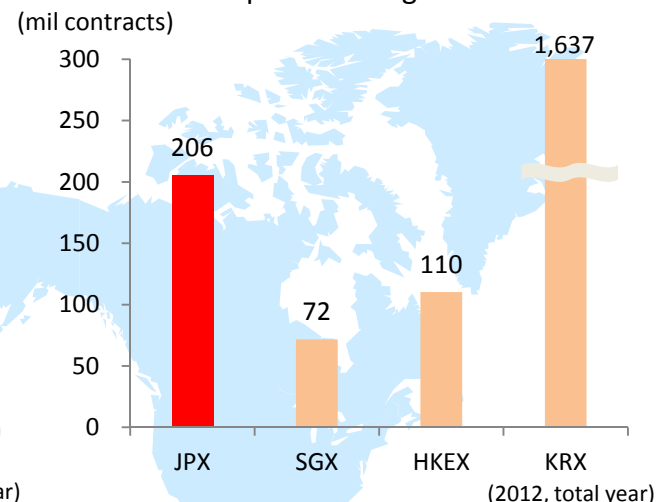
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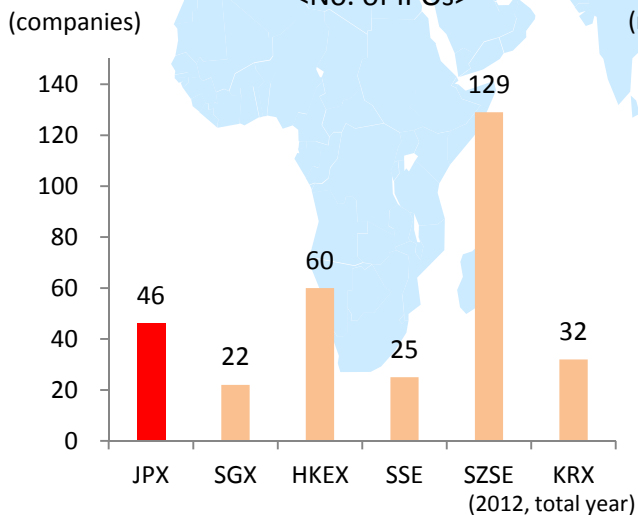
<Cash Equity Trading Value>



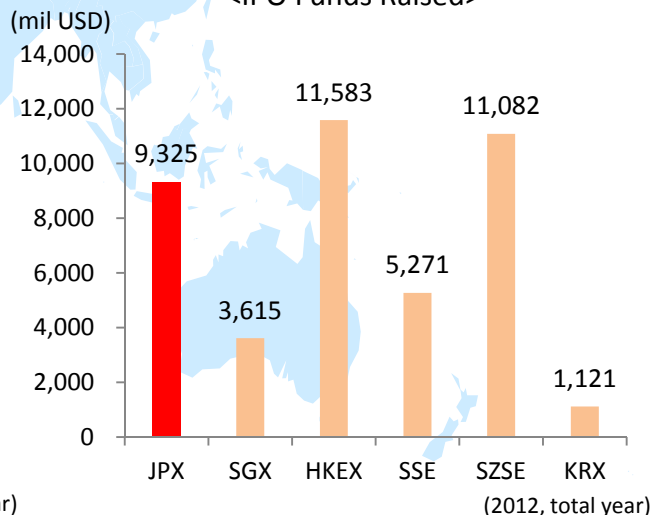
<Futures (Index/Bond)/
Option Trading Volume>



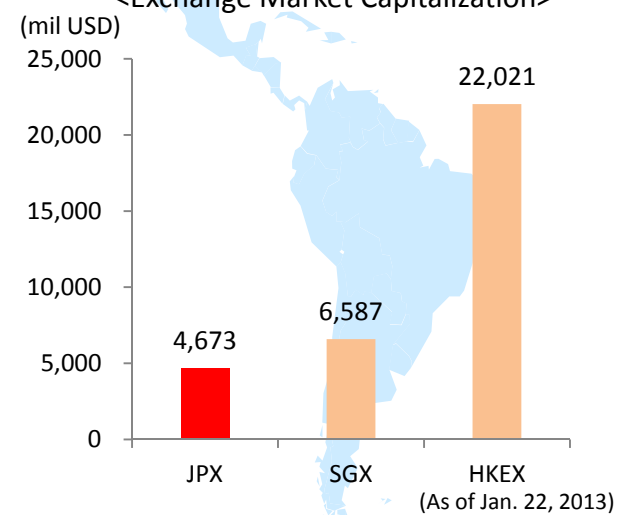
<No. of IPOs>



<IPO Funds Raised>



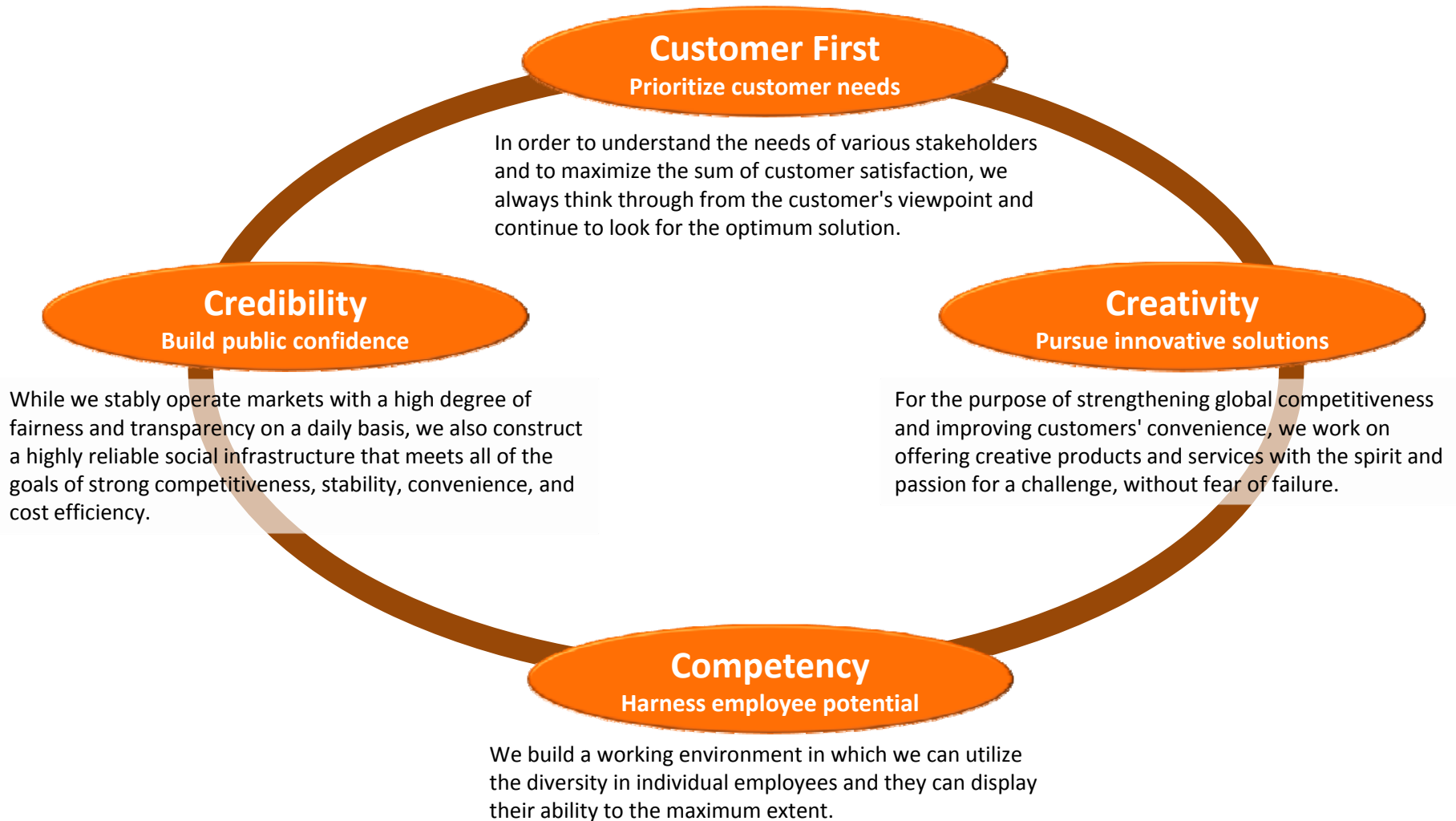
<Exchange Market Capitalization>



(Note) Data from homepages of WFE, FIA, JPX, SGX, HKEX.

JPX: Japan Exchange Group, SGX: Singapore Exchange, HKEX: Hong Kong Exchanges & Clearing, SSE: Shanghai Stock Exchange, SZSE: Shenzhen Stock Exchange, KRX: Korea Exchange

Creed (The 4 C's)



II. Basic Policies of the Medium-Term Management Plan (FY 2013 – FY 2015)



Primary Strategies

Early Realization of Business Combination Synergies

- Early and smooth consolidation of markets, clearing functions and systems
- Early realization of synergies for both JPX group and market users (Cost reduction, etc.)

Expand Derivatives Market

- **Comprehensive Exchange**
 - ✓ Expand into commodities field to diversify products
- **New Product Development**
 - ✓ Introduce/Promote products targeting Pan-Asian region/emerging markets
 - ✓ Enrich/enhance JGB-related products based on market changes
 - ✓ Review exchange derivatives market in light of OTC derivatives regulations

Create a New Japanese Stock Market

- **Improve Japanese Stock Appeal**
 - ✓ Develop new stock price indices focusing on attractive issues
 - ✓ Create rules/environment to improve corporate governance
 - ✓ Revise market rules to improve market convenience and price stability
 - ✓ Promote diversification of ETFs/REITs
 - ✓ Enhance policy recommendation /information dissemination for improving Japanese stock market's appeal
- **Promote IPOs**
 - ✓ Enhance growth support through IPO promotion

Expand Exchange Business Field

- **Expand Clearing Business**
 - ✓ Handle new OTC products
- **Create New Product Platforms**
 - ✓ Utilize/promote professional bond market for fund demands of infrastructure building in Asian countries
 - ✓ Support knowledge/technology sharing with emerging Asian exchanges

- **Enhance IT Infrastructure**
 - ✓ Develop next-generation arrowhead, enrich Co-Location Service, expand arrownet globally, etc.
- **Enhance operations toward expanding investor layers/promoting investment**
 - ✓ Expand investor layers through +YOU Project, enhance marketing activities to overseas/domestic institutional investors using product/customer foundation of both exchanges
- **Fulfill self-regulatory functions in response to market changes**

Achieve financial goals in Medium-term Management Plan (to be released in late March 2013)

Consolidation of Markets/Clearing Functions

■ Consolidate markets/clearing functions within JPX group within FY 2013

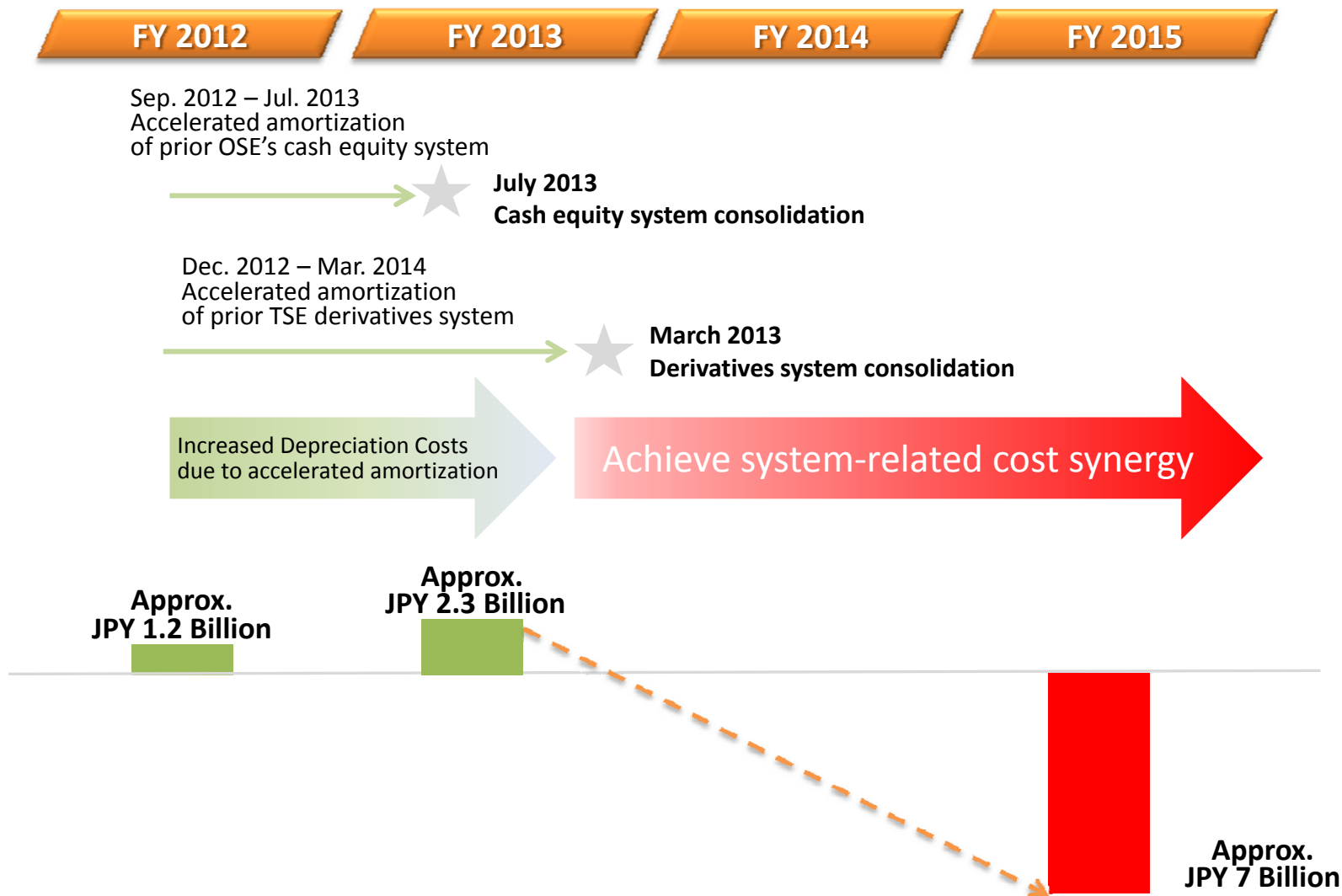


- **Consolidate cash equity market under Tokyo Stock Exchange**
 - ✓ Consolidate trading system on arrowhead (off-auction: ToSTNeT)
 - ✓ Cash equity market will be composed of TSE 1st Section, 2nd Section, Mothers, JASDAQ, and TOKYO PRO MARKET (OSE 1st Section/2nd Section will migrate to TSE 1st Section/2nd Section)
- **Consolidate self-regulatory functions under Tokyo Stock Exchange Regulation**
 - ✓ Shift self-regulatory functions of derivatives market at the time of the cash equity market consolidation
- **Consolidate clearing functions under Japan Securities Clearing Corporation**
 - ✓ Further improve risk management functions
 - ✓ Improve liquidity and participant capital efficiency via unified margin system

- **Consolidate derivatives market under Osaka Securities Exchange**
 - ✓ Consolidate trading system on J-GATE (using NASDAQ OMX Click XT)
 - ✓ Facilitate trading of a wide-range of derivatives products on a single platform, including Nikkei 225 products, TOPIX products, and JGB products
 - ✓ Facilitate further extension of evening trading hours for TOPIX Futures, JGB Futures, etc.

System-related Cost Synergy via Consolidation

- Aim to realize approx. JPY 7 billion in annual system-related cost synergy in FY 2015 (compared to FY 2011).



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

Effect on Revenue due to Consolidation

Causes of Increase

Business Expansion via Improved Convenience

- **Increase in Trading/Trading Fee Revenue**
 - ✓ Improved participant/investor convenience via increased products tradable on single platform
 - ✓ Increased new listings and new investors via improved liquidity
 - ✓ Increased trading from improved margin efficiency for derivatives via clearing function consolidation
 - ✓ Enhanced marketing activities via utilization of both exchange foundations
- **Increase in Listing-related Revenue**
 - ✓ Increased IPOs/new listings of domestic/overseas corporations from improved market appeal
- **Increase in Information-related Revenue**
 - ✓ Increased demand for information services from diversified information
- **New Product Development**
 - ✓ Development of cross-over products between exchanges

Causes of Decrease

Lower Usage Costs for Users

The following decreases are expected, coinciding with the consolidation of the cash equity market (July 2013) and the derivatives market (March 2014).

- **Decrease in Trading Fee Revenue (decrease in overlapping basic fees, etc.)**
 - ✓ Following Cash Equity/Derivatives Market Consolidation
Expected Decrease: approx. JPY -1.2 billion
- **Decrease in Listing-related Revenue (decrease in overlapping listing fees)**
 - ✓ Following Cash Equity Market Merger
Expected Decrease: approx. JPY -0.5 billion
- **Decrease in Information-related Revenue (change in processing fee structure)**
 - ✓ Following Cash Equity/Derivatives Market Consolidation
Expected Decrease: approx. JPY -0.8 billion

(Note 1) The above estimations are based on figures up to December 2012, and calculated on an annual basis. Actual results may differ from these estimations.

(Note 2) The decrease in trading fees was calculated based only on effects on the cash equity market. Effects on the derivatives market are not included.

(Note3) In FY 2013, revenue reduction is expected from July 2013.

III. FY 2013, 3rd Quarter Earnings Report



- 3rd Quarter revenues and profits increased due to solid trades of derivatives from the beginning of the fiscal year and an increase in listed-related revenues due to increased fund-raising by listed companies and increased IPOs.
- In regard to annual performance forecast, reflecting positive market conditions, operating revenues and profits such as operating profit have been revised upward.

(JPY 1 mil.)

	3 rd Quarter (Apr. – Dec.)				Full Year			
	3Q FY 2011	3Q FY 2012		Year-on-Year (c-a)/a [%]	FY 2011 (Actual)	FY 2012 (Estimated)		Year-on-year (f-d)/d [%]
	(a) Former TSEG & OSE Total Figures	(b) Former TSEG (3Q is consolidated with OSE)	(c) Former OSE's 1H added to (b)		(d) Former TSEG & OSE Combined Figures	(e) JPX (not including former OSE's 1H)	(f) Former OSE's 1H added to (e)	
Operating Revenue	55,728	45,935	56,731	+1.8	75,539	67,500	78,295	+3.6
Operating Costs	43,670	35,283	42,764 ^(*1)	-2.1	58,008	52,000	59,480 ^(*2)	+2.5
Operating Profit	12,058	10,652	13,967	+15.8	17,529	15,500	18,815	+7.3
Ordinary Profit	14,344	12,705	16,333	+13.9	20,060	17,500	21,127	+5.3
Net Income	8,346	7,313	9,325 ^(*3)	+11.7	11,777	9,500	11,512	-2.3

<Average Daily Trading Value/Volume>

	FY 2011 (Actual)	FY 2012 (Assumed)	
Stock Trading Value	13,695	14,000	(JPY 100 mil)
TOPIX Futures	57,840	67,000	(contract)
Nikkei 225 Futures (mini: 1/10)	119,300	147,000	(contract)
10yr JGB Future	29,307	40,000	(contract)
Nikkei 225 Options	188	220	(JPY 100 mil)

*1 Including JPY 613 mil. amortized goodwill *2 Including JPY 1,474 mil. amortized goodwill

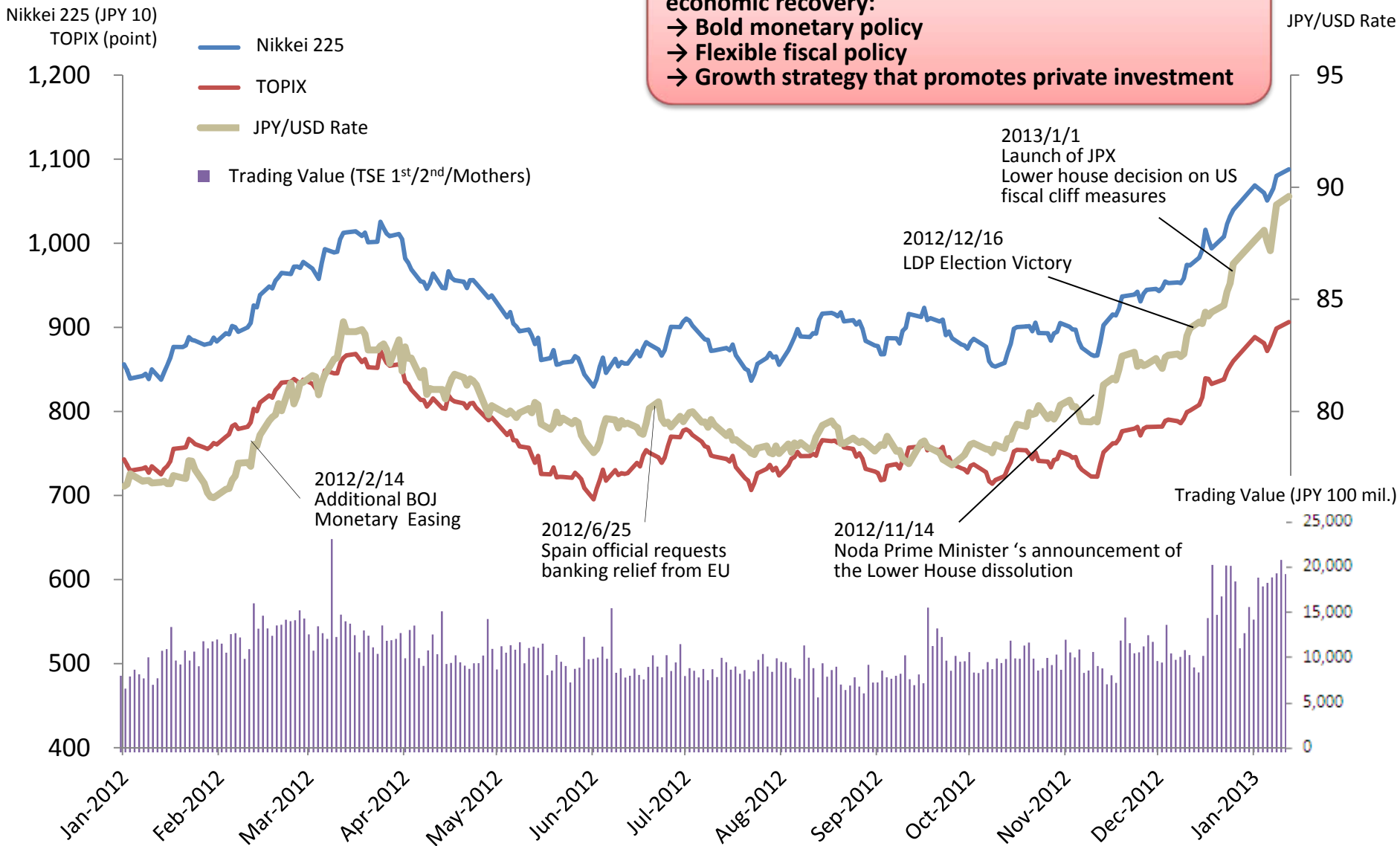
*3 Including JPY 1,045 mil. (former TSEG: 672 mil., former OSE: 372 mil.) of extraordinary losses from the combination -related costs.

[Regarding JPX Earnings for this Fiscal Year]

As a result of a tender offer for shares of Osaka Securities Exchange Co., Ltd. (former OSE), in which Tokyo Stock Exchange Group, Inc. (former TSEG) made OSE its consolidated subsidiary, Japan Exchange Group, Inc. was established via a business combination on January 1, 2013. The consolidated financial statements of Japan Exchange Group, Inc. created based on this combination succeed the consolidated financial statements of former TSEG in accordance with accounting standards pertaining to corporate combination. Furthermore, because the deemed acquisition date of former OSE by former TSEG is September 30, 2012, the profits and losses of former OSE for the 3 months from October 1, 2012 to December 31, 2012 are included in the consolidated cumulative financial results of former TSEG for this 3rd Quarter.

Japanese Stock Market Trends

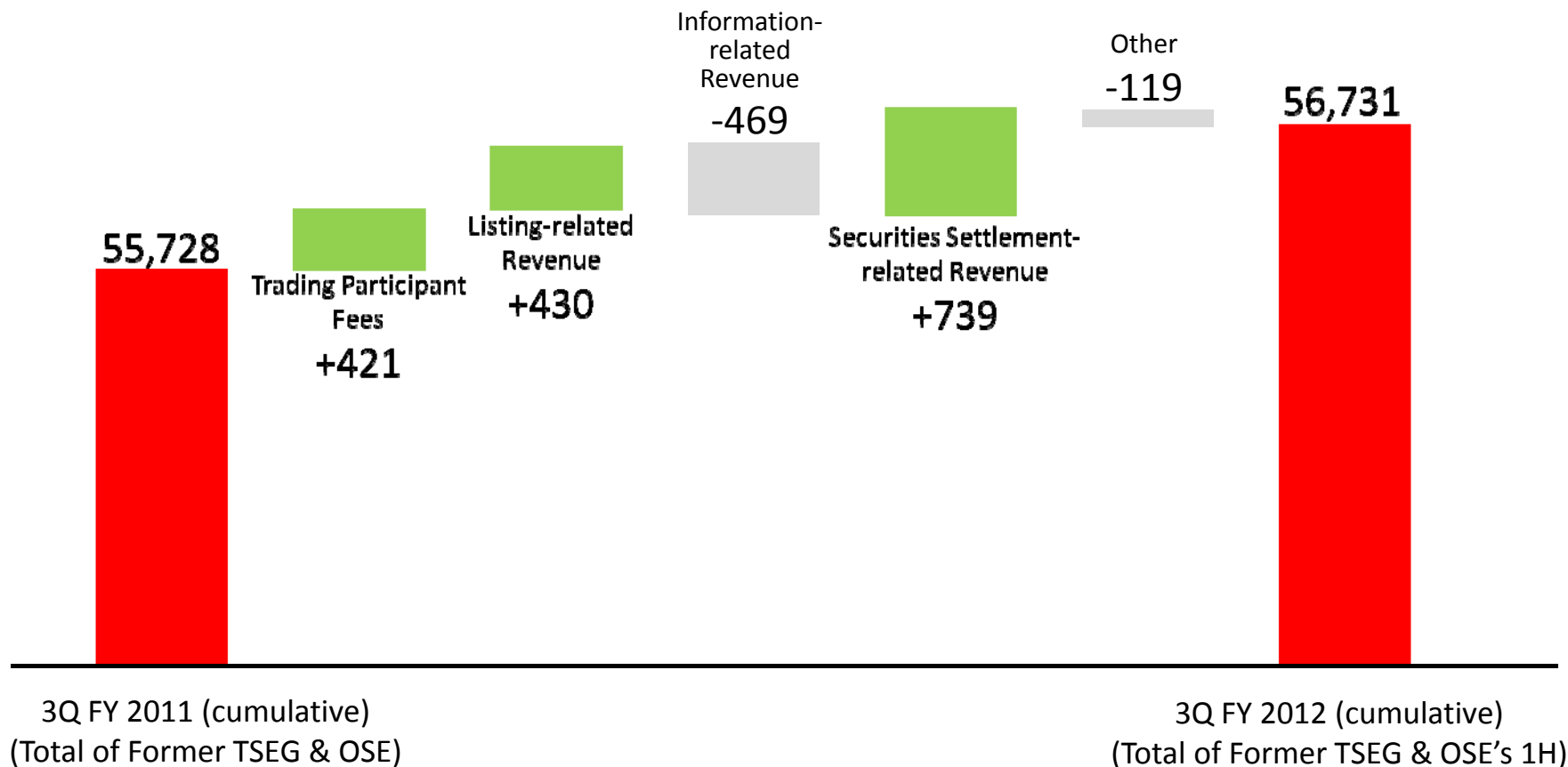
Abe Administration's "Three-pronged Strategy" for economic recovery:
 → Bold monetary policy
 → Flexible fiscal policy
 → Growth strategy that promotes private investment



Operating Revenue Conditions

- Due to increase in derivatives trading, revenues from trading participant fees and securities settlement-related revenues increased.
- Due to increases in listed company fund-raising and IPOs, listing-related revenues increased.

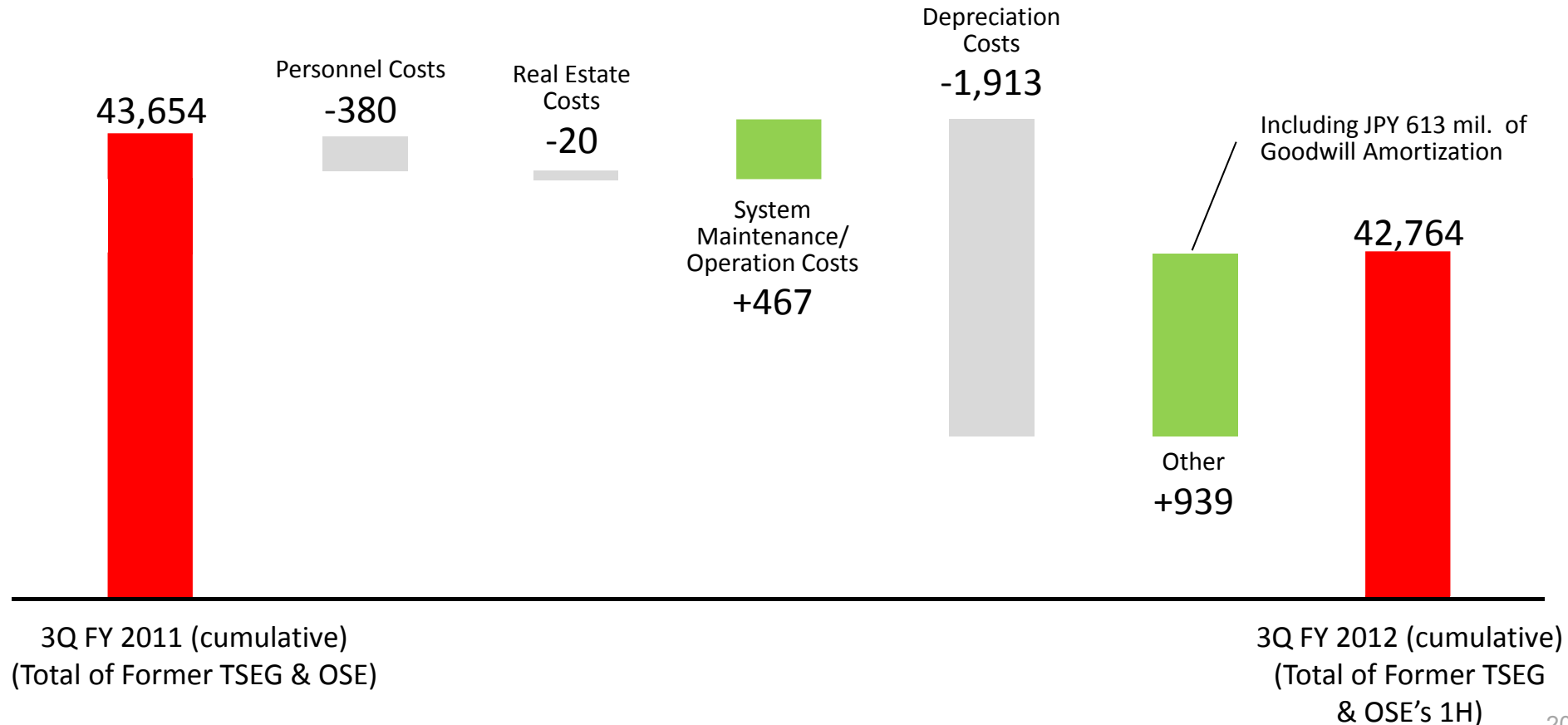
(JPY 1 mil.)



Operating Cost Conditions

- Large decrease in depreciation in 3Q FY2012 compared to the previous period due to accelerated system amortization of former TSEG before the business combination being included in FY2011.
- “Other” costs increased due to start of goodwill amortization (20 year annual amortization), etc.

(JPY 1 mil.)

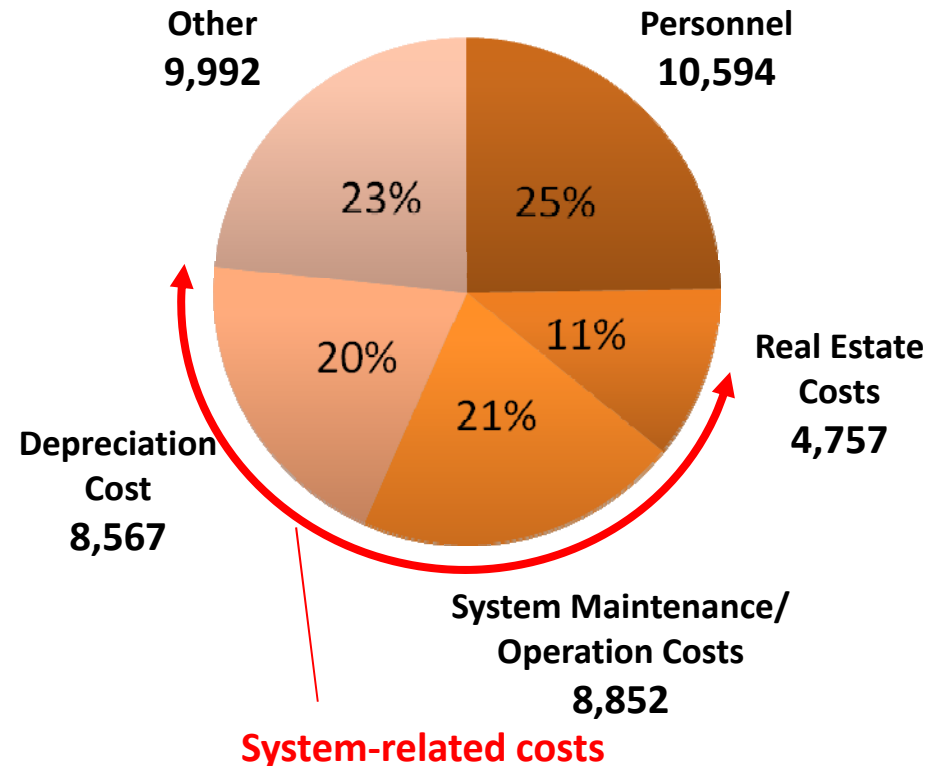
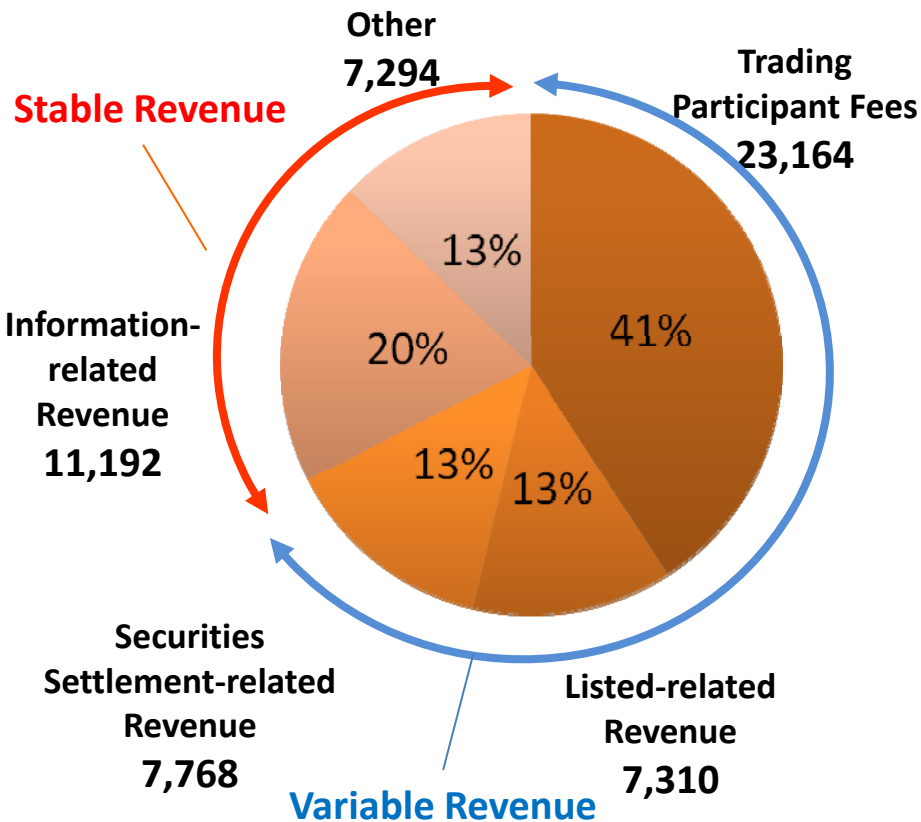


Composition of Operating Revenues and Costs

(JPY 1 mil.)

Operating Revenues

Operating Costs



3Q FY 2012 (cumulative)
(Total of Former TSEG & OSE's 1H)

Basic Policy for Dividends/ Handling of Treasury Shares

■ Basic Policy for Dividends

Giving due consideration to the importance of internal reserves for the purpose of development of the system to strengthening competitiveness and improving self-regulatory function as an exchange, and for the purpose of being prepared for the risks as the clearing organization, we make it a principle to conduct stable and continuous payment of dividends. Specifically, **we aim at a target dividend payout ratio of around 40%.**



Estimated Dividends for FY2012: JPY 70/share

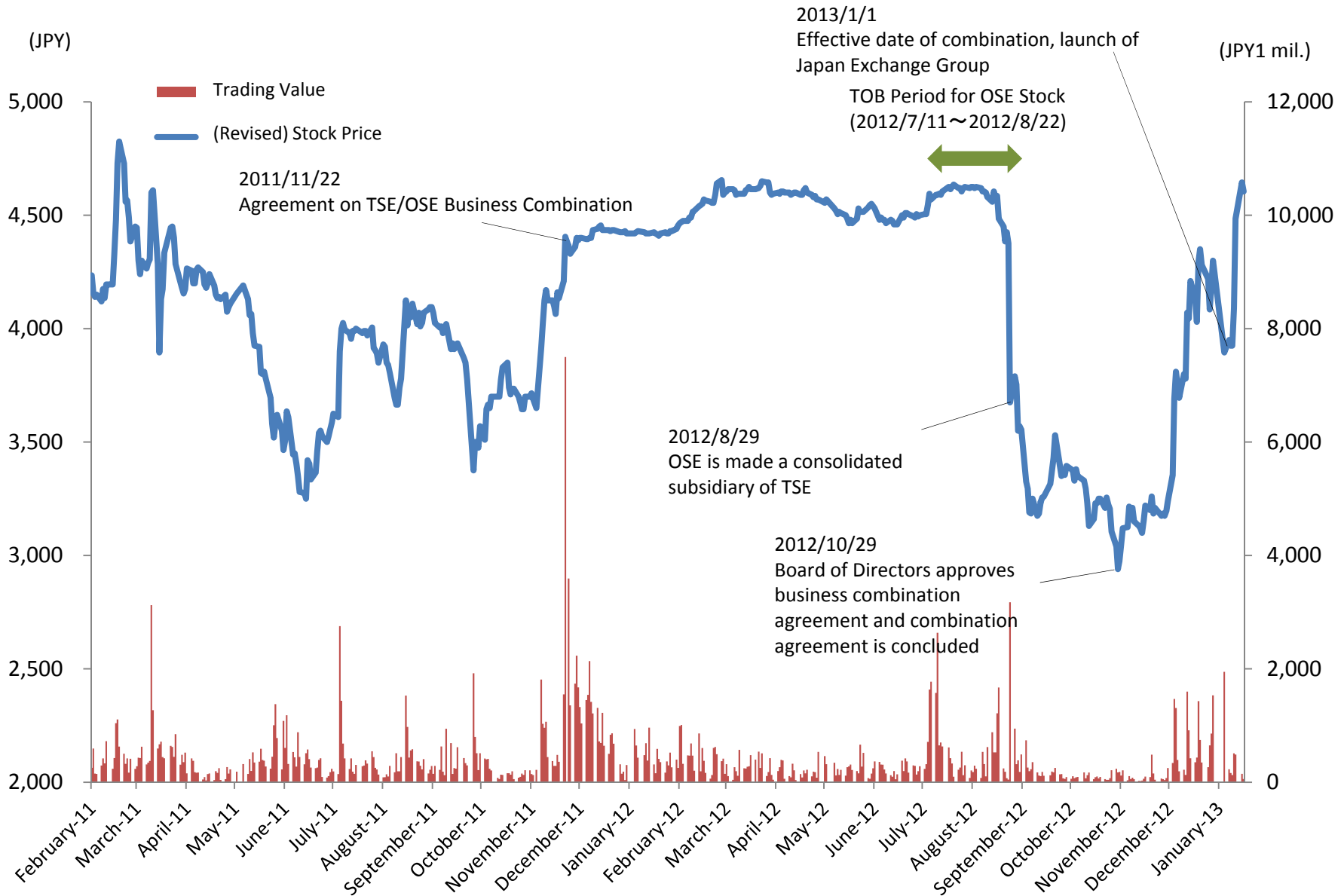
■ Handling of Treasury Shares

Former OSE shares acquired by former TSEG through the tender offer have become JPX's treasury shares due to the business combination on January 1, 2013. However, **these shares are schedule to be cancelled by the end of March 2013.**

IV. Reference Materials



Trends in JPX Stock Price



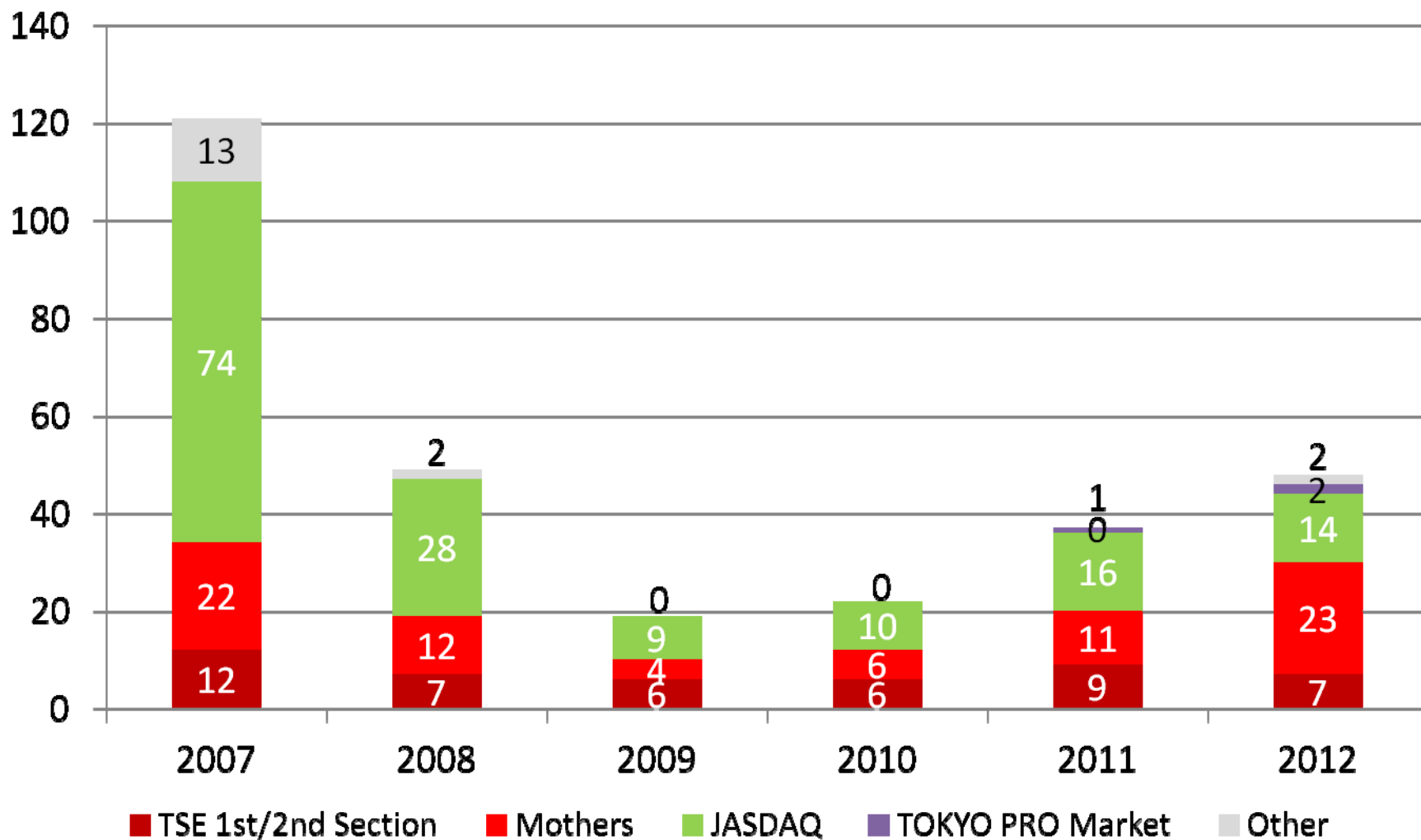


Outline of JPX Stock

Code	8697
Listed Exchange	Tokyo Stock Exchange 1st Section, Osaka Securities Exchange JASDAQ (Standard)
Business Year	April 1st – March 31st
Annual General Shareholders Meeting	June
Record Date	March 31st
No. of Shares per Share Unit	100 shares
No. of Shares	No. of Authorized Shares: 290,000,000 shares
	Total Outstanding Shares: 72,906,810 shares (Including 17,999,900 treasury shares*)
	*Scheduled to be cancelled by the end of March 2013

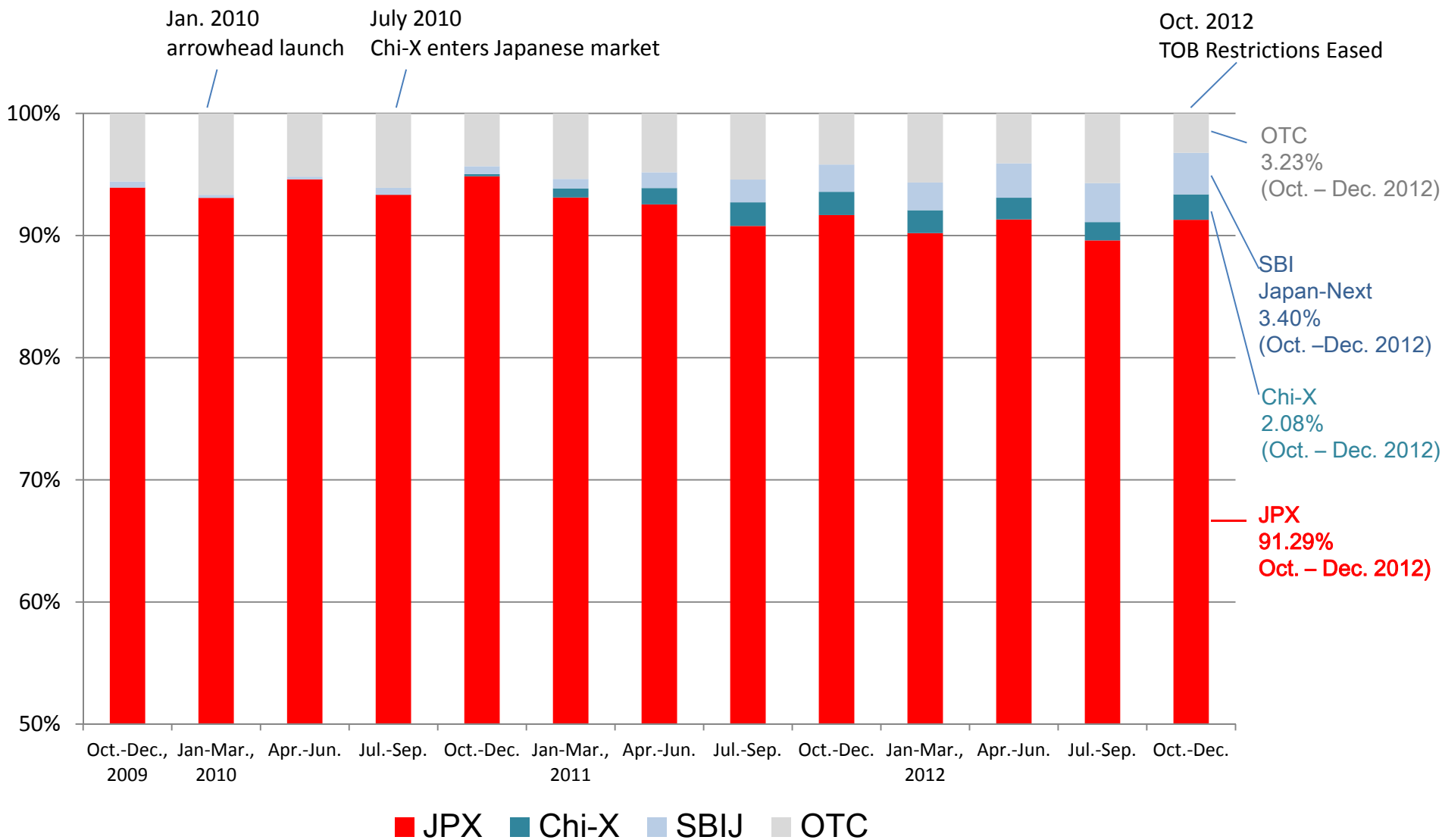
Trends in IPOs

(companies)

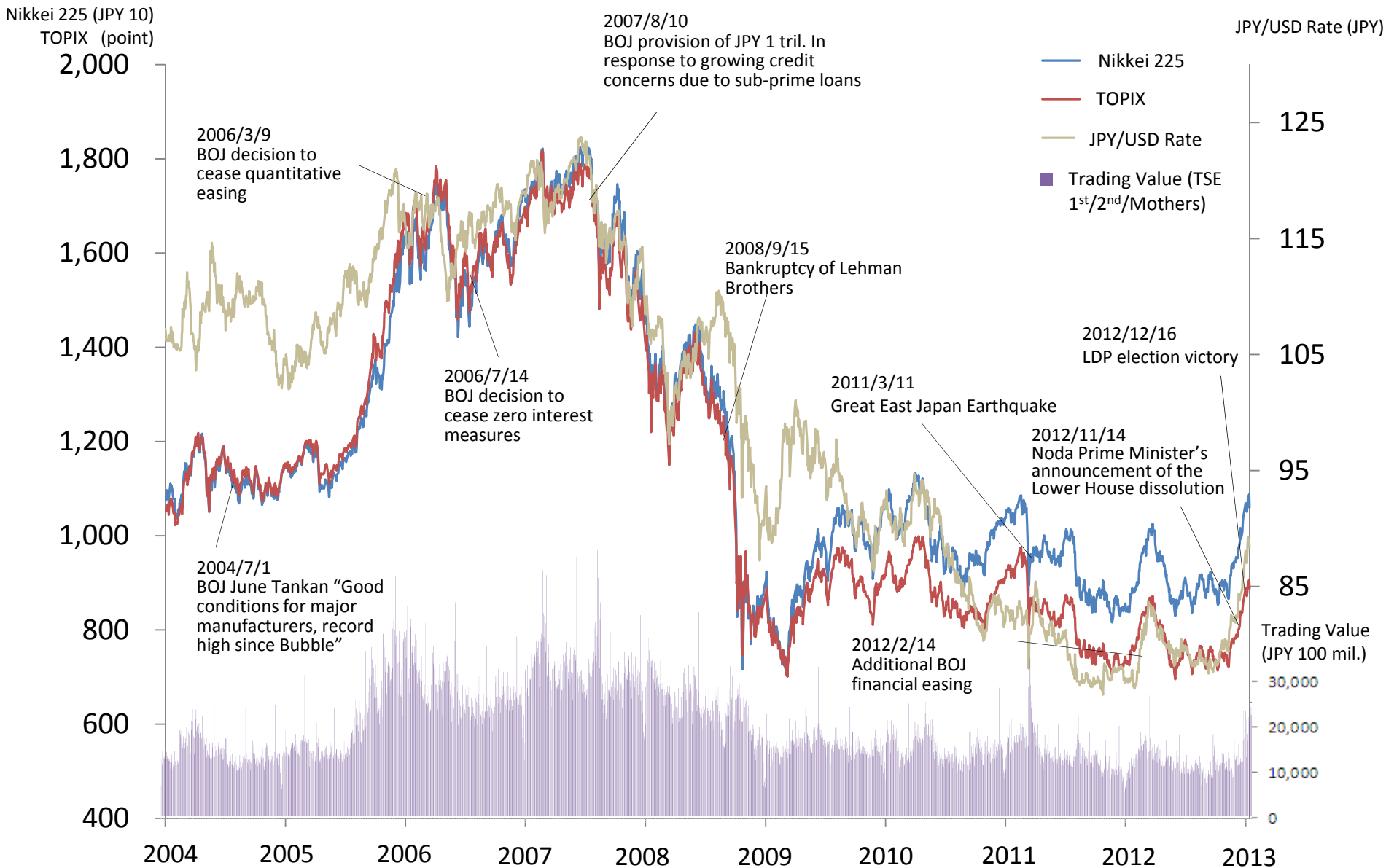




Trends in Trading Volume Share of Japanese Stocks

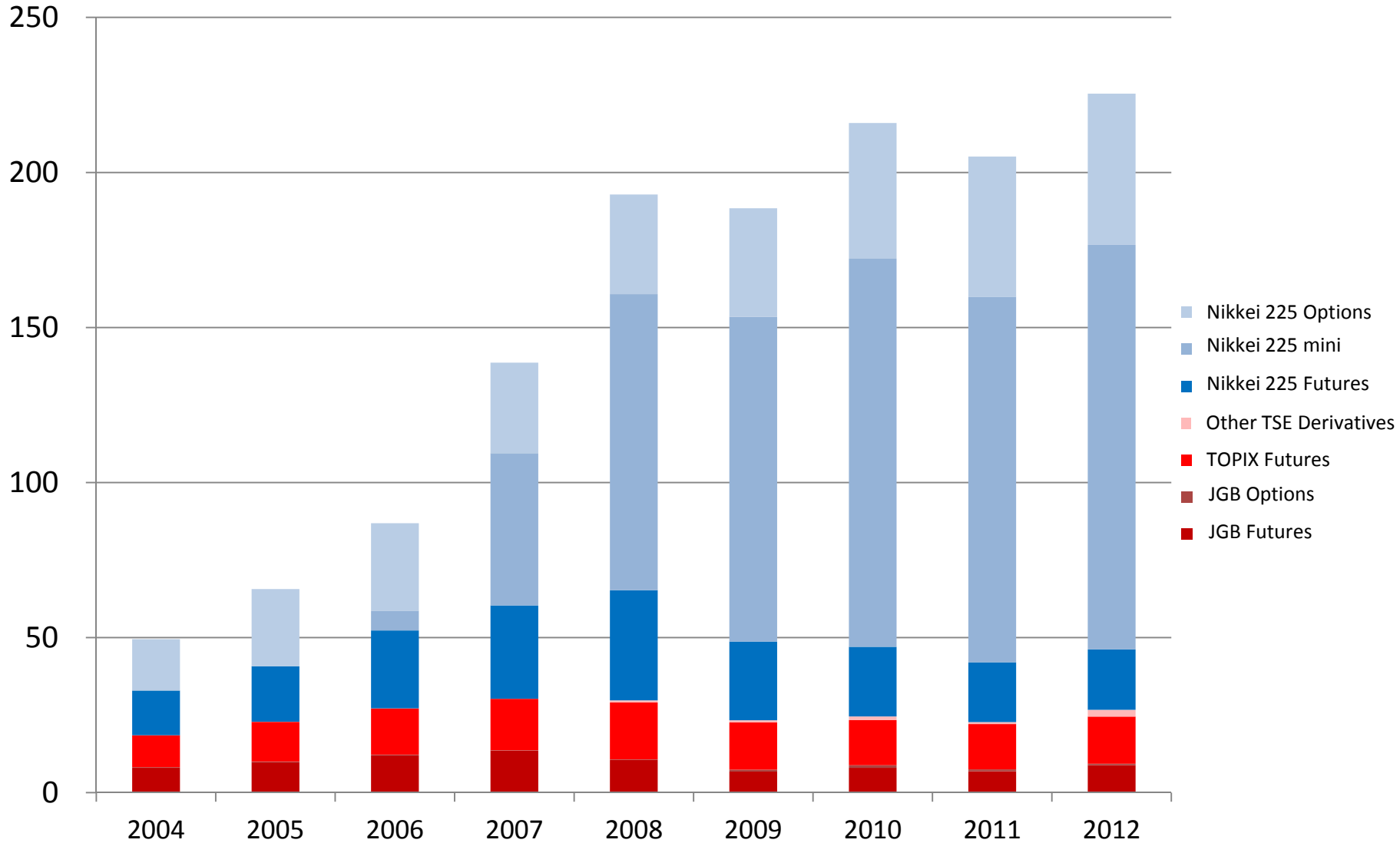


Trends in the Japanese Stock Market

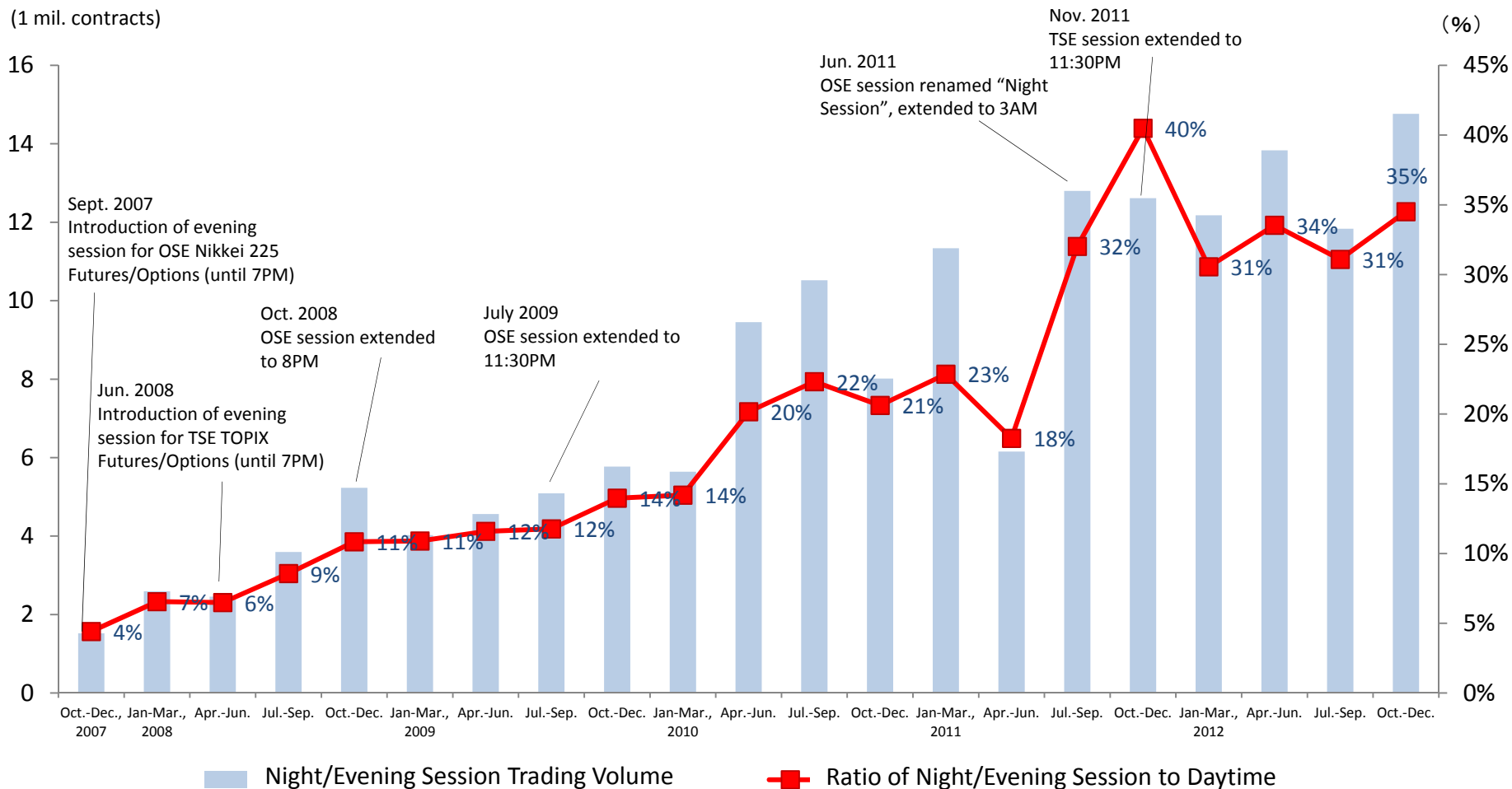


Trends in Derivatives Trading Volume

(1 mil. contracts)



Derivatives Night/Evening Session



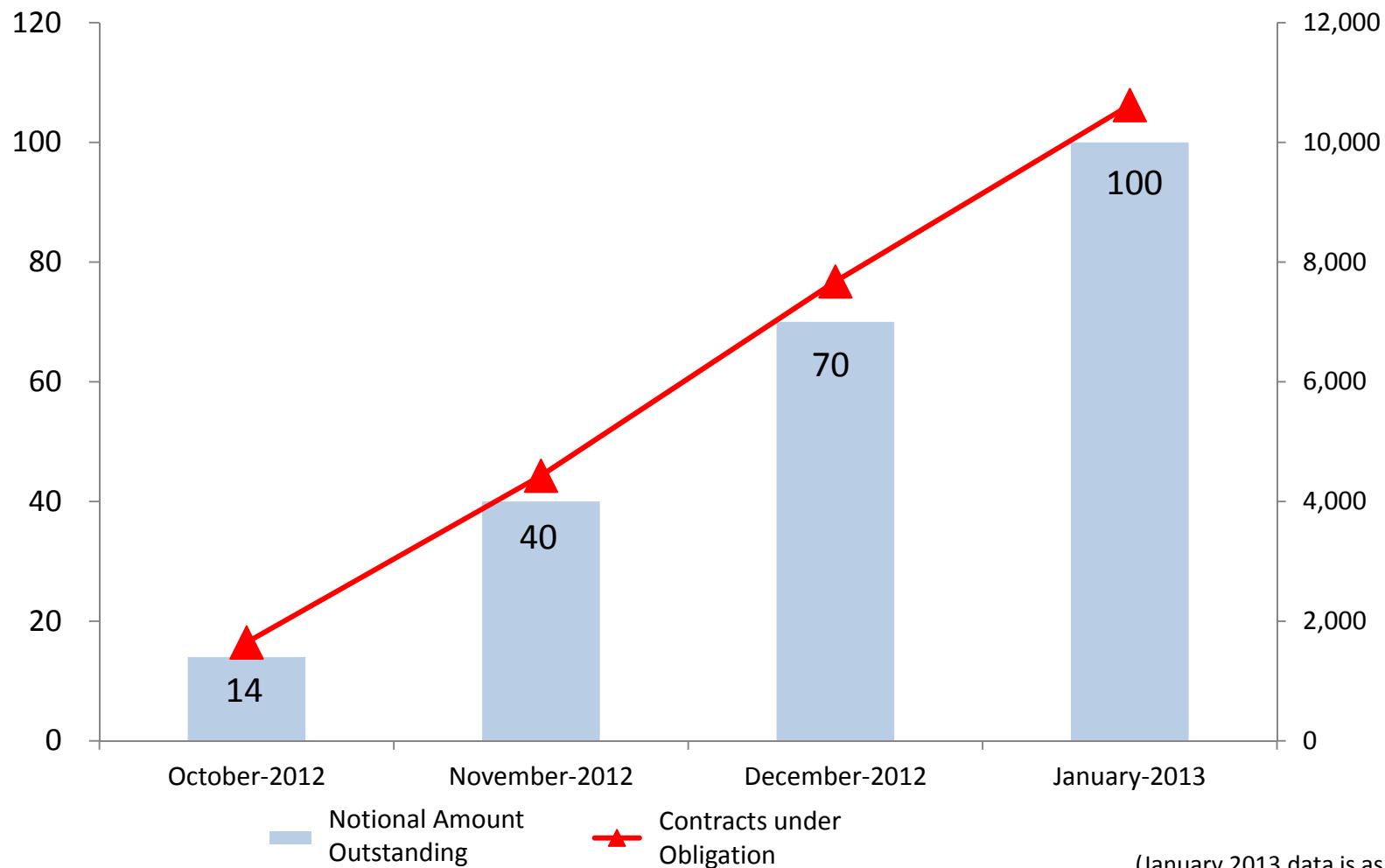
(Note) Relevant products: Nikkei 225 Futures, Nikkei 225 mini, Nikkei 225 Options, TOPIX Futures, Mini-TOPIX, TOPIX Options

Expansion of OTC Clearing Business

<Trends in Volume of Yen-denominated IRS under Obligation>

Notional Amount Outstanding (JPY 1 tril.)

Contracts under Obligation (contracts)



(January 2013 data is as of January 28)