Overview of Earnings for FY2015

Japan Exchange Group, Inc.

April 28, 2016

I. Overview of Earnings for FY2015

(April 1, 2015 – March 31, 2016)

* This document is not subject to the audit procedures required under the Financial Instruments and Exchange Act. Please note that its contents have not been audited on a consolidated basis in accordance with the Act as of the time of disclosure.

JPX

Highlights and FY2016 Forecast

- Operating revenue increased, boosted by increases in trading volumes of both cash equities and derivatives.
- Net income increased by 30% due to further business integration synergies and cost reductions.

(JPY mil.)

	FY2014	FY2015		FY2016 (Forecast)	
			y/y		y/y
Operating Revenue	106,167	114,776	+ 8%	108,000	(6%)
Operating Expenses	52,863	50,925	(4%)	54,500	+ 7%
Operating Income	53,529	66,271	+ 24%	54,000	(19%)
Net Income*2	34,427	44,877	+ 30%	38,500	(14%)
EBITDA	65,743	77,791	+ 18%	-	-
Dividend per share*3	25.0 yen	50.0 yen	+25.0 yen	42.0 yen	(8.0 yen)

*1 IFRS was adopted from the full-year earnings results for FY2014. FY2014 figures are based on IFRS.
*2 Net Income attributable to owners of the parent company.
*3 Total of 2Q-end and year-end figures. Figures account for the 2-for-1 stock split conducted with an effective date of October 1, 2015.

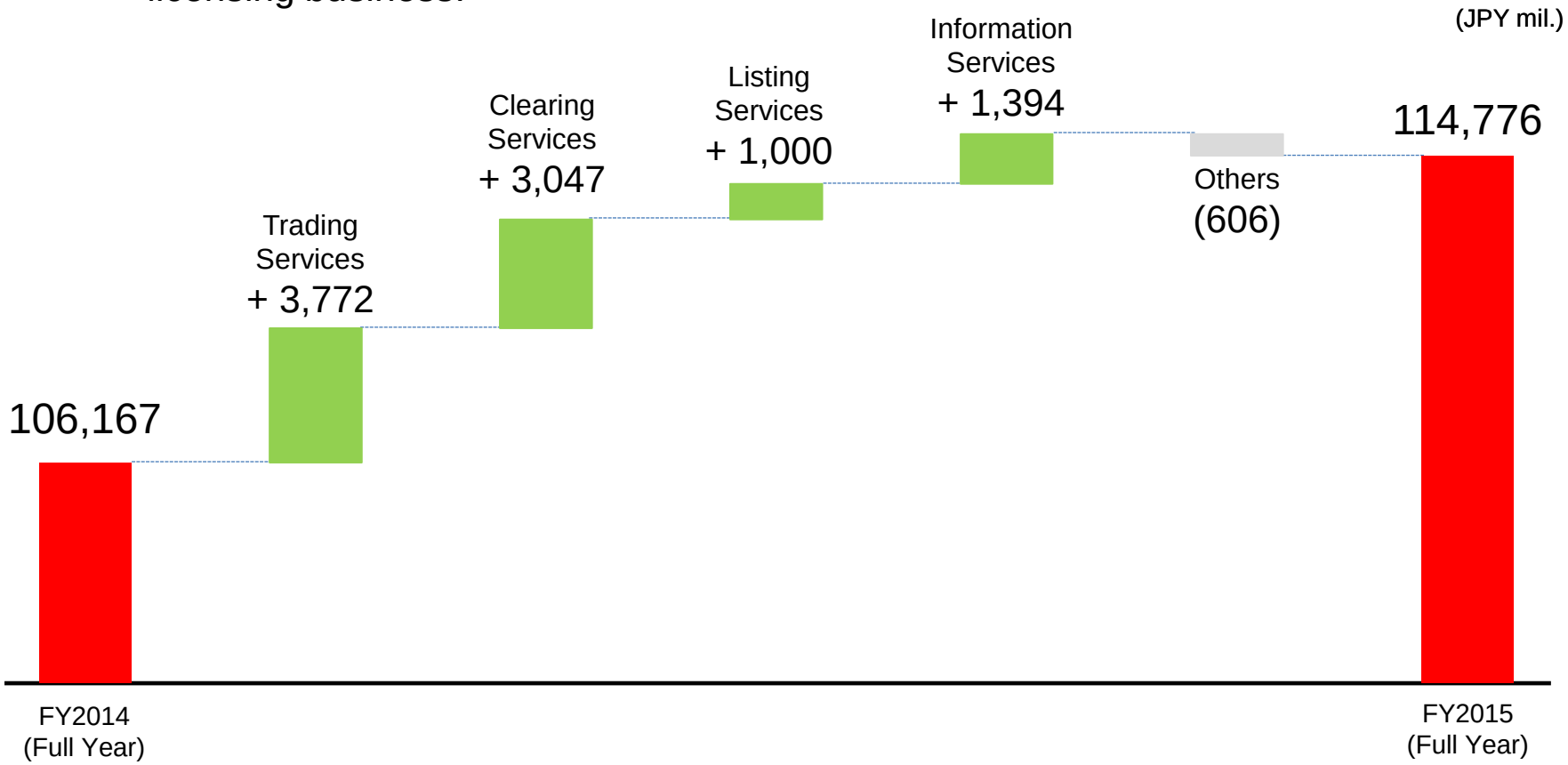
➢ **Average Daily Trading Volume/Value of Major Products**

	FY2014	FY2015		FY2016 (Assumptions for forecasts)	
			y/y		y/y
Cash Equities (trading value) *1	JPY 2,856.4 bil	JPY 3,412.6 bil.	+ 19%	JPY 3,100.0 bil.	(9%)
TOPIX Futures (trading volume)	84,785 contracts	93,824 contracts	+ 11%	102,000 contracts	+ 9%
Nikkei 225 Futures (trading volume) *2	186,565 contracts	230,435 contracts	+ 24%	229,000 contracts	(1%)
Nikkei 225 Options (trading value) *3	JPY 27.8 bil.	JPY 30.7 bil.	+ 10%	JPY 28.5 bil.	(7%)
10-year JGB Futures (trading volume)	36,745 contracts	34,658 contracts	(6%)	38,000 contracts	+ 10%

*1 Total value of daily averages of auction and off-auction trading of common stocks on 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. *3 Excluding Weekly Options

Operating Revenue

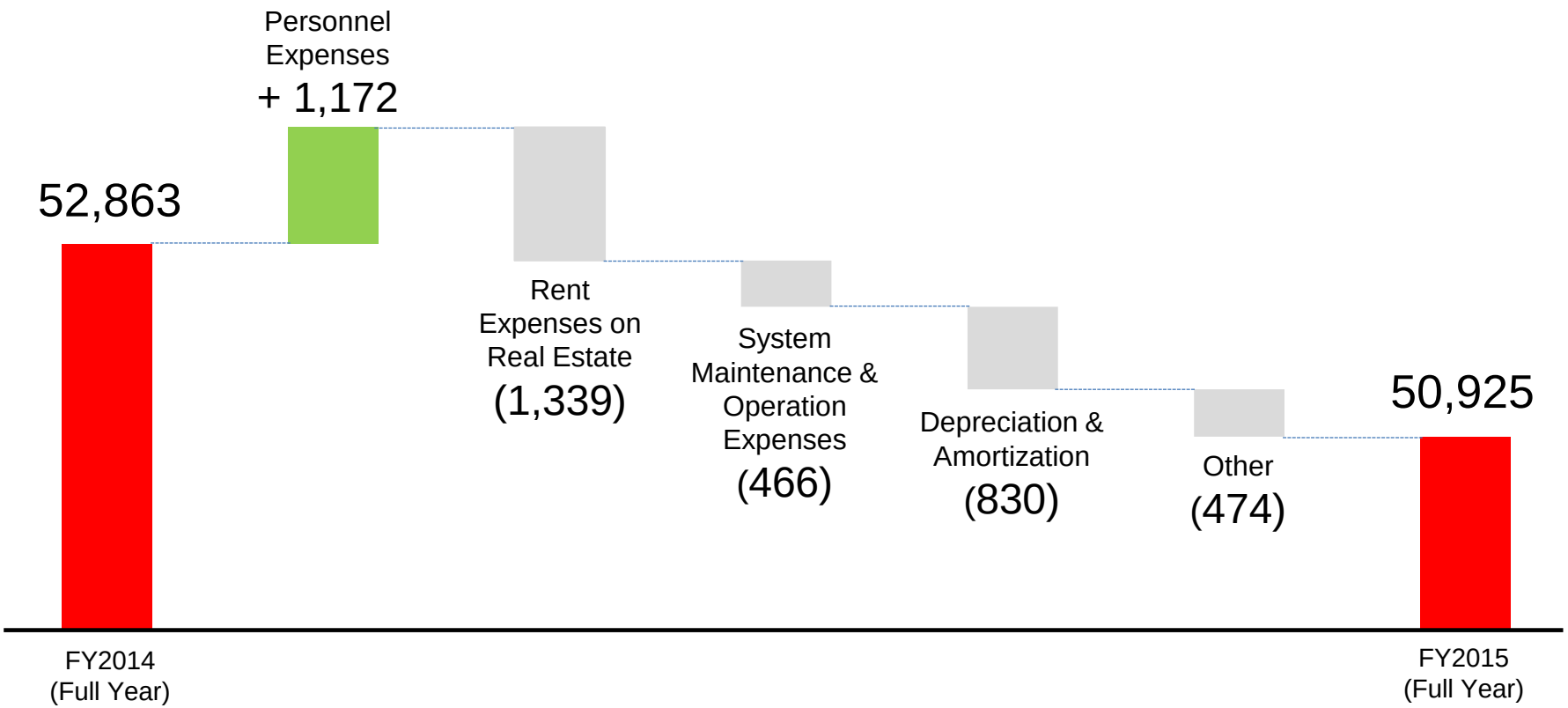
- Growth in trading and clearing services revenues, among other sources, was spurred by increases in cash equities and derivatives trading volumes.
- Listing services revenue also grew due to increases in fees from IPOs and annual listing fees from listed companies and ETFs.
- Information services revenue grew due to increased revenue from index licensing business.



Operating Expenses

- Rent expenses on real estate decreased due to lower rent for the TSE building.
- Depreciation and amortization declined due to effective system integration with the end of depreciation of the initial investment in the previous arrowhead cash equities trading system in December 2014.

(JPY mil.)



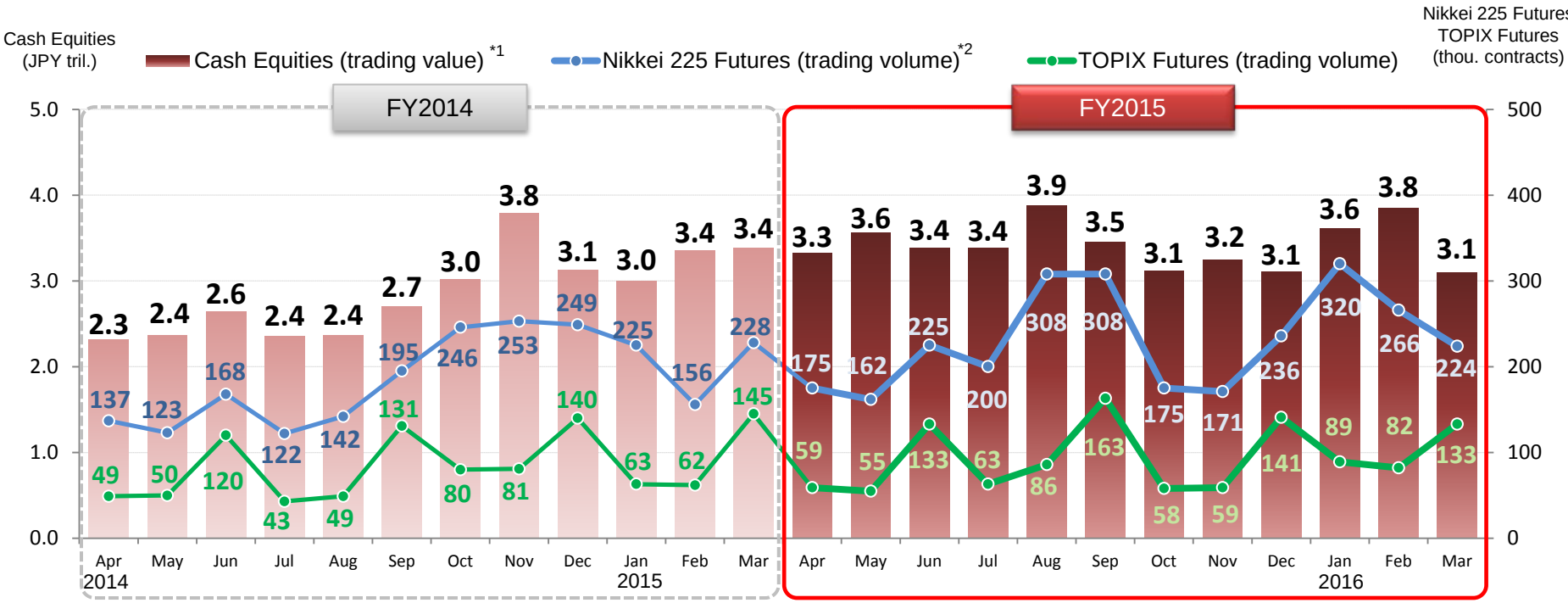
II. Business Developments



Market Trend

- Average daily trading value for cash equities increased by 19% from the previous fiscal year to reach JPY 3.4 trillion, the highest on record.
- Derivatives trading volumes grew on greater volatility in the cash equities and total derivatives trading volume reached a record high of 385 million contracts.

➢ **Average daily trading volume/value of major products**

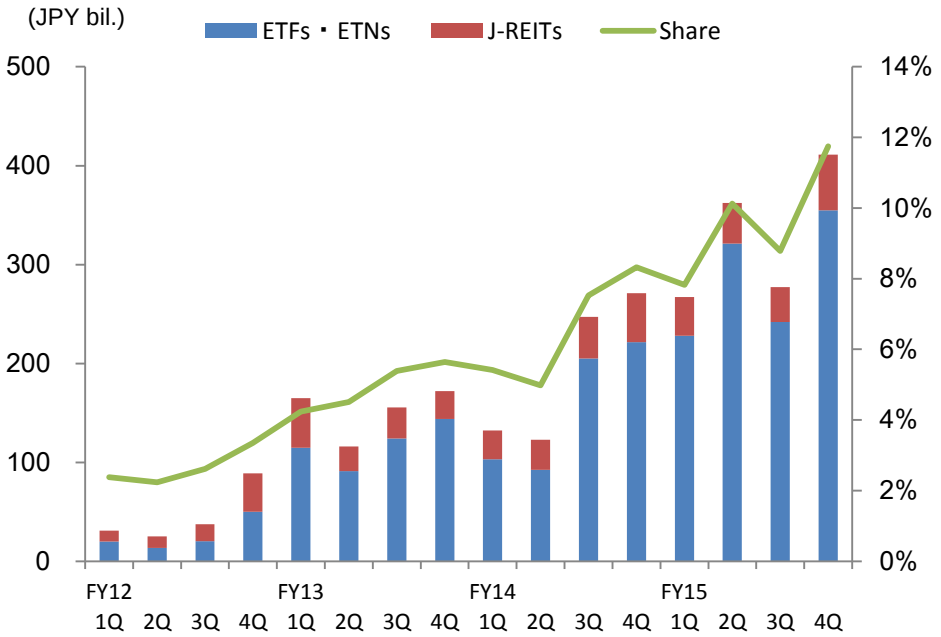


*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.
*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

Cash Equities

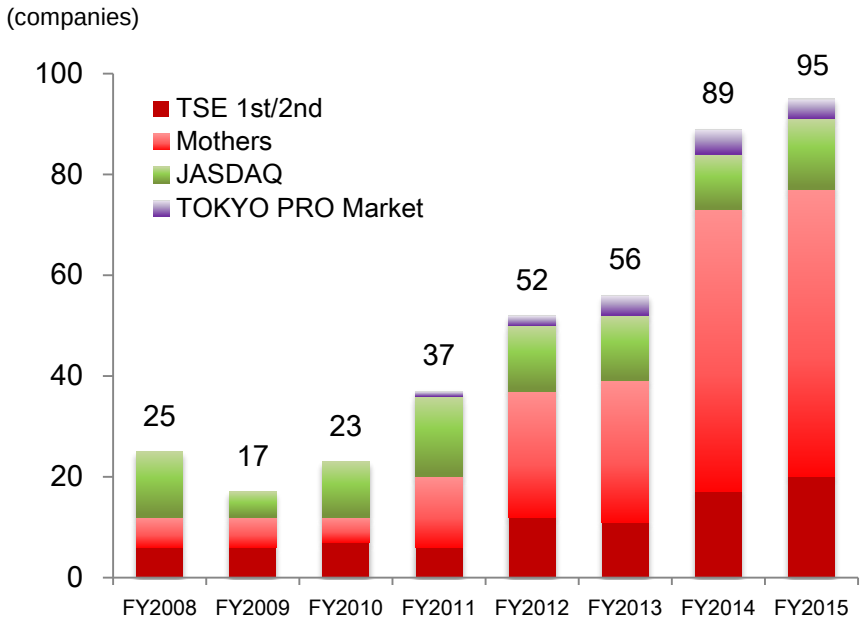
- The respective trading values for ETFs/ETNs and REITs stayed strong, comprising a larger share of overall cash equities, to reach a record high.
- IPOs recorded a year-on-year increase from 89 to 95, out of which 57 companies chose to list on the Mothers market.

➢ **ADV of ETFs/ETNs and REITs**



Share indicates trading value of ETFs, ETNs, and REITs of overall cash equity trading value.

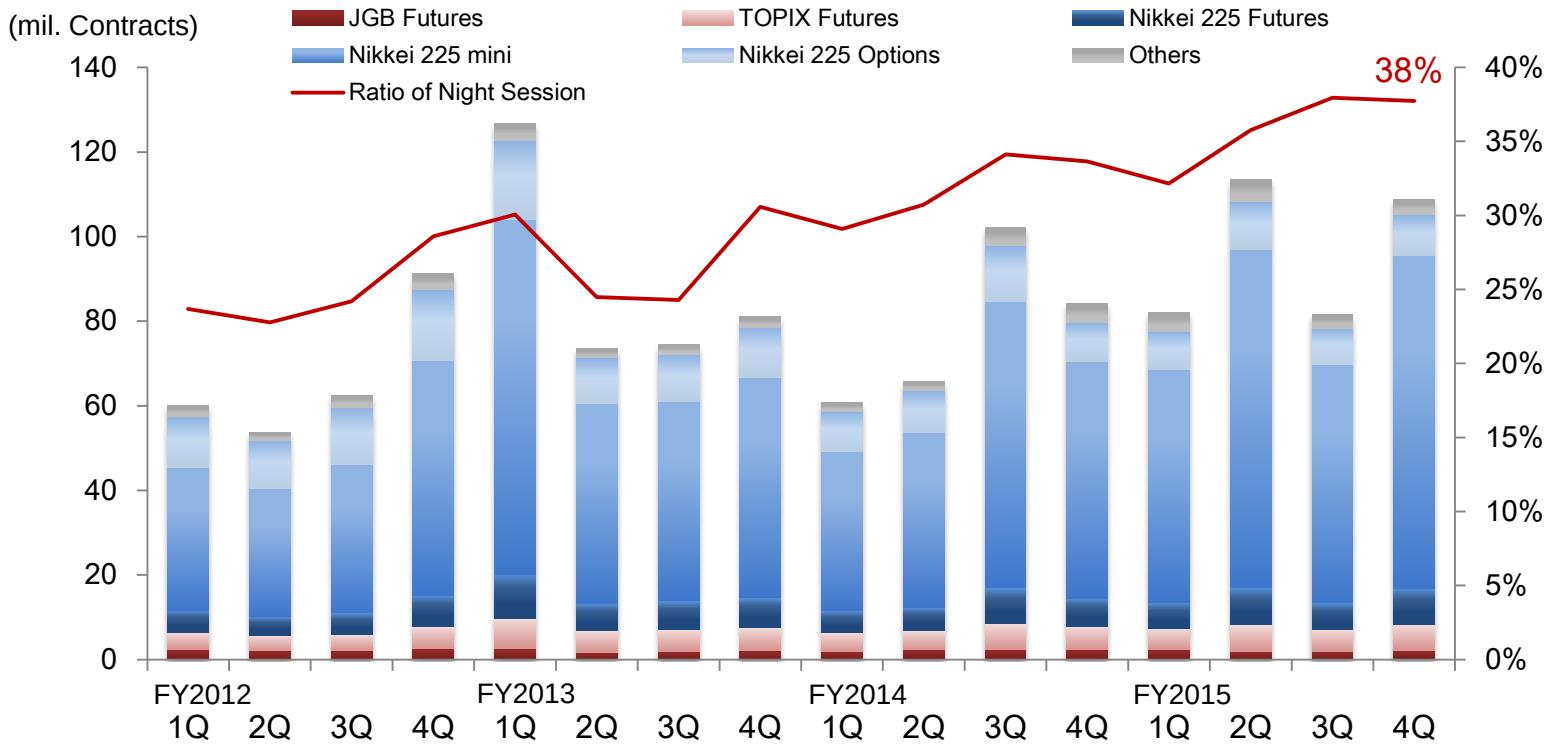
➢ **IPOs on JPX markets**



Derivatives

- Trading volume in the night session reached a record high of 38% of overall market volume for two consecutive quarters.
- Trading volume for Nikkei 225 mini also reached a record high of 269 million contracts.

➢ Derivatives Trading Volume and Ratio of Night Session



III. Financial Policies

Financial Policies

(JPY bil.)

	FY2012*2	1st Medium-Term Management Plan				FY2016	
		FY2013	FY2014	FY2015			
	Actual	Actual	Actual	Actual	cf. FY2012	Forecast	cf. FY2015
Operating Revenue	82.5	116.2	106.1	114.7	+32.2 +39%	108.0	(6.7) (5.9%)
Operating Expenses	59.6	65.1	52.8	50.9	(8.7) (15%)	54.5	+3.5 +7.0%
Operating Income	22.8	51.1	53.5	66.2	+43.4 +190%	54.0	(12.2) (18.5%)
Net Income*3	12.9	29.8	34.4	44.8	+31.9 +246%	38.5	(6.3) (14.2%)
Dividend per share*4	8 yen	21.5 yen	25 yen	50 yen	+42 yen	42 yen	(8 yen)
Dividend Payout Ratio	-	39.6%	39.9%	61.2%	-	59.9%	-

*1 IFRS was adopted from the full-year earnings results for FY2014. FY2012 and FY2013 figures are based on J-GAAP. *2 Combined totals of JPX consolidated results and former OSE 1H results.
*3 Net Income attributable to owners of the parent company. *4 Total of 2Q-end and year-end figures. Figures account for the 2-for-1 stock split conducted with an effective date of October 1, 2015.

Financial policies in 2nd Medium-Term Management Plan

	Target*1,4		1st Medium-Term Management Plan (Actual) *2 (FY2013-FY2015)		FY2018*3,4
Operating Revenue	+JPY 15 bil.	Approx. +13%	+	JPY 108 bil.	JPY 123 bil.
Net Income	+JPY 8 bil.	Approx. +20%		JPY 40 bil.	JPY 48 bil.

Capex Approx. JPY 46 bil.

FY2016-FY2018 3-year Total

Exceeds initial JPY 36 bil. targeted outlay in 1st medium-term management plan

*1 Targeted revenue and income increase from initiatives in this 2nd Medium-Term Management Plan.
*2 Estimates based on 3-year average trading activity during the 1st Medium-Term Management Plan (cash equity daily trading value JPY 3.1 tril., derivatives annual trading volume 353 mil. units)
*3 Revenue and income based on total of actual performance for 1st Medium-Term Management Plan and targets for 2nd Medium-Term Management Plan.
*4 Implementation of initiatives stated in this 2nd Medium-Term Management Plan and targeted revenue and income increase may be affected by external environment. Revenue is also linked to cash equities and derivatives trading conditions. As such, actual performance may deviate from targets due to market conditions and other factors.

IV. Reference Materials



Referential Financial Data

➢ Quarterly Business Performance (IFRS*1)

(JPY mil.)

	FY2014				FY2015			
	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)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015- Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)
Operating Revenue	24,826	25,017	29,057	27,266	27,802	30,149	27,331	29,492
Operating Expenses	13,083	13,114	13,644	13,021	11,498	11,803	12,801	14,821
Operating Income	12,157	12,269	15,704	13,397	16,737	18,558	16,450	14,525
Net Income *2	7,921	8,370	10,488	7,647	10,773	13,106	11,624	9,373
EBITDA	14,997	15,916	19,223	15,606	18,878	21,393	19,467	18,052

*1 IFRS was adopted from the full-year earnings results for FY2014. Quarterly figures for FY2014 are also based on IFRS.
*2 Net income attributable to owners of the parent company.

Referential Financial Data

➢ Operating Revenue (IFRS*1)

(JPY mil.)

	FY2014				FY2015					
	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)	1Q (Apr.1, 2015– Jun. 30, 2015)	2Q (Jul.1, 2015– Sep.30, 2015)	3Q (Oct.1, 2015– Dec. 31, 2015)	4Q (Jan.1, 2016– Mar.31, 2016)		
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Ratio	y/y
Trading services revenue	**11,140**	**11,517**	**13,475**	**12,564**	**12,912**	**14,045**	**11,816**	**13,696**	**46%**	**+ 9%**
Transaction Fees	9,092	9,452	11,323	10,352	10,684	11,749	9,551	11,308		+ 9%
Cash Equities	6,753	6,866	7,583	7,502	7,985	8,117	6,986	7,694	68%*2	+ 3%
Derivatives	2,339	2,585	3,739	2,849	2,699	3,631	2,565	3,613	32%*2	+ 27%
TOPIX Futures	396	412	539	468	441	529	441	521		+ 11%
Nikkei 225 Futures (incl. mini)	856	966	1,456	1,102	1,069	1,526	1,056	1,484		+ 35%
Nikkei 225 Options *3	685	725	1,217	746	661	1,099	648	1,133		+ 52%
10-year JGB Futures	355	428	449	446	437	388	359	411		(8%)
Others	45	53	77	85	88	86	59	63		(26%)
Basic Fees	268	267	266	265	266	265	264	265		(0%)
Access Fees	1,147	1,144	1,218	1,219	1,231	1,306	1,250	1,377		+ 13%
Trading System Facilities Usage Fees	615	637	642	705	709	700	725	719		+ 2%
Others	16	16	24	21	21	24	23	27		+ 25%
Clearing services revenue	**4,462**	**4,506**	**5,962**	**5,161**	**5,643**	**6,028**	**5,486**	**5,981**	**20%**	**+ 16%**
Listing services revenue	**2,875**	**3,045**	**3,284**	**3,043**	**2,900**	**3,572**	**3,578**	**3,198**	**11%**	**+ 5%**
Initial/Additional Listing Fees	1,060	1,196	1,385	1,120	985	1,632	1,567	1,143		+ 2%
Annual Listing Fees	1,814	1,849	1,899	1,923	1,914	1,940	2,010	2,055		+ 7%
Information services revenue	**4,035**	**3,811**	**4,153**	**4,310**	**4,358**	**4,421**	**4,412**	**4,513**	**15%**	**+ 5%**
Other operating revenue	**2,311**	**2,135**	**2,181**	**2,186**	**1,988**	**2,080**	**2,038**	**2,101**	**7%**	**(4%)**
arrownet Usage Fees*4	689	660	598	602	555	591	568	600		(0%)
Co-location Usage Fees	622	646	660	683	689	721	712	763		+ 12%
Others*5	999	827	922	900	743	767	757	737		(18%)
Total	**24,826**	**25,017**	**29,057**	**27,266**	**27,802**	**30,149**	**27,331**	**29,492**	**100%**	**+ 8%**

*1 IFRS was adopted from the full-year earnings results for FY2014. Quarterly figures for FY2014 are also based on IFRS.
*2 Figures are indicate percentage of Transaction Fees.
*3 Excluding Weekly Options.
*4 arrownet Usage Fees for 1Q and 2Q FY2014 include usage fees for OSE's GATENET, which was integrated with arrownet.
*5 Including Proximity Usage Fees.

Referential Financial Data

➢ Operating Expenses (IFRS*)

(JPY mil.)

	FY2014				FY2015			
	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)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 31, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)
Personnel expenses	3,702	3,639	3,692	4,230	3,785	3,734	3,858	5,059
System maintenance & operation expenses	2,584	2,443	2,470	2,447	2,330	2,392	2,353	2,403
Depreciation & amortization	2,637	2,898	3,299	1,968	1,904	2,075	2,754	3,239
Rent expenses on real estates	1,488	1,498	1,484	1,488	1,174	1,174	1,147	1,124
Other	2,669	2,634	2,697	2,886	2,304	2,426	2,688	2,995
Total	13,083	13,114	13,644	13,021	11,498	11,803	12,801	14,821

* IFRS was adopted from the full-year earnings results for FY2014. Quarterly figures for FY2014 are also based on IFRS.

Referential Financial Data

➢ Consolidated Statement of Financial Position (IFRS)

(JPY mil.)

		As of Mar. 31,2015	As of Mar. 31,2016
Assets			
	Current assets		
	Cash and cash equivalents	60,114	66,547
	Trade and other receivables	10,300	10,096
*1	Clearing business financial assets	25,635,085	26,395,558
*2	Specified assets for deposits from clearing participants	1,795,095	2,809,433
*3	Specified assets for legal guarantee funds	492	483
	Income tax receivables	4,693	5,055
	Other financial assets	42,869	65,600
	Other current assets	1,844	1,163
	Total current assets	27,550,495	29,353,939
	Non-current assets		
	Property and equipment	8,573	6,025
	Goodwill	67,374	67,374
	Intangible assets	27,631	31,033
	Retirement benefit assets	5,424	3,626
	Investments accounted for using the equity method	6,806	7,592
*5	Specified assets for default compensation reserve funds	27,948	27,948
	Other financial assets	39,682	38,639
	Other non-current assets	5,605	5,854
	Deferred tax assets	7,230	4,741
	Total non-current assets	196,276	192,836
Total assets		27,746,771	29,546,776

		As of Mar. 31,2015	As of Mar. 31,2016
Liabilities and equity			
Liabilities			
	Current liabilities		
	Trade and other payables	4,712	4,413
	Loans payable	32,500	22,500
*1	Clearing business financial liabilities	25,635,085	26,395,558
*2	Deposits from clearing participants	1,795,095	2,809,433
*3	Legal guarantee funds	492	483
*4	Trading participant security money	7,437	7,429
	Income tax payables	7,852	10,714
	Other current liabilities	5,626	6,403
	Total current liabilities	27,488,802	29,256,937
	Non-current liabilities		
	Loans payable	-	10,000
	Retirement benefit liabilities	7,039	7,352
	Other non-current liabilities	2,488	3,924
	Deferred tax liabilities	6,875	5,650
	Total non-current liabilities	16,403	26,926
	Total liabilities	27,505,206	29,283,864
Equity			
	Share capital	11,500	11,500
	Capital surplus	59,726	59,726
	Treasury shares	(5)	(9)
*6	Other components of equity	14,828	13,321
	Retained earnings	149,562	172,656
	Total equity attributable to owners of the parent company	235,611	257,194
	Non-controlling interests	5,954	5,717
	Total equity	241,565	262,912
Total liabilities and equity		27,746,771	29,546,776

*1 Japan Securities Clearing Corporation (JSCC) guarantees settlement as a clearinghouse for financial instruments transactions by assuming obligations for trades by market participants to become the counterparty for such trades, posting claims and obligations for cleared trades under clearing business financial assets and liabilities.
*2 Deposits from clearing participants requested by JSCC for covering the risk of clearing participants defaulting on their obligations.
*3 Deposits from trading participants requested by Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) for covering the risk at entrusting parties, etc. of trading participants defaulting on their obligations.
*4 Deposits from trading participants requested by TSE and OSE for covering the risk of trading participants defaulting on their obligations.
*5 Reserve funds for compensating losses incurred by JSCC in clearing operations.
*6 Including reserve funds for compensating losses incurred by JSCC in clearing operations.

Major Product Data

➢ Trading Volume/Value

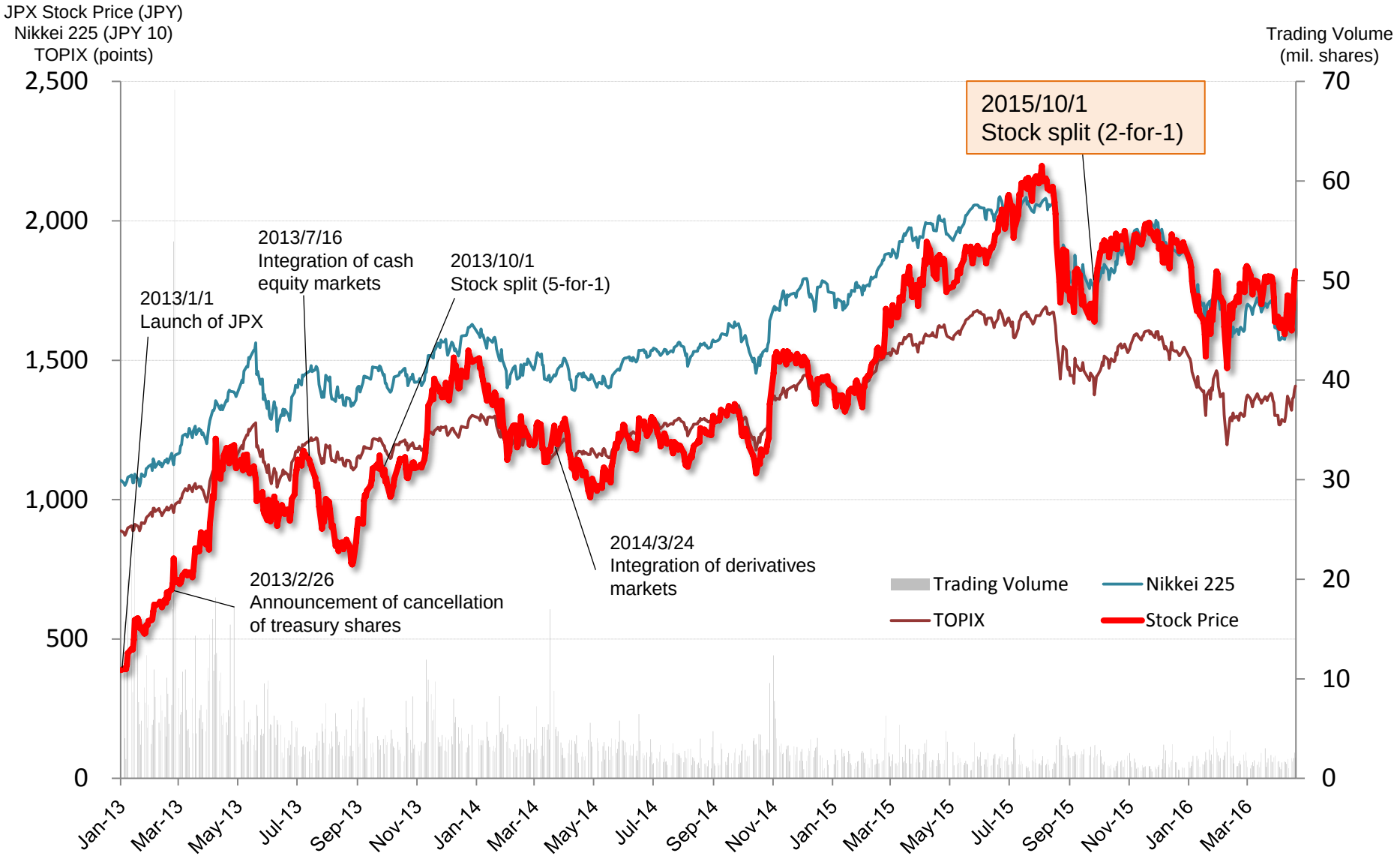
	FY2014				FY2015			
	1Q (Apr. 1, 2014– Jun. 30, 2014)	2Q (Jul. 1, 2014– Sep. 30, 2014)	3Q (Oct. 1, 2014– Dec. 31, 2014)	4Q (Jan. 1, 2015– Mar. 31, 2015)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 30, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)
Trading Value of Cash Equities (JPY mil.)								
TSE 1st/2nd Section *1	128,665,627	132,276,215	171,078,880	168,409,808	180,820,436	189,247,280	166,310,629	177,748,541
Mothers *1	8,173,604	9,120,144	9,460,573	5,927,163	5,894,082	5,487,907	5,757,308	6,849,645
JASDAQ *1	6,429,667	6,352,007	4,653,689	4,827,723	5,409,453	4,458,234	3,432,110	3,933,113
ETFs/ETNs and REITs etc. *2	8,205,419	7,749,624	15,082,345	16,264,620	16,299,502	22,455,832	16,903,303	25,087,403
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)								
TOPIX Futures	4,540,465	4,596,852	6,155,327	5,564,453	5,152,726	6,284,469	5,302,308	6,247,344
Total Nikkei 225 Futures/mini *3	8,889,164	9,562,272	15,184,014	12,259,555	11,551,509	16,714,992	11,868,112	16,322,078
Nikkei 225 Futures	5,111,644	5,422,599	8,402,820	6,656,040	6,041,354	8,736,954	6,243,886	8,465,489
Nikkei 225 mini	37,775,200	41,396,736	67,811,949	56,035,157	55,101,557	79,780,382	56,242,263	78,565,899
Nikkei 225 Options (JPY mil.) *4	1,414,182	1,345,023	2,397,712	1,693,811	1,471,850	2,137,320	1,404,173	2,505,727
10-year JGB Futures	1,924,624	2,329,798	2,420,837	2,363,988	2,323,310	2,070,202	1,920,076	2,177,737

➢ Average Daily Trading Volume/Value

	FY2014				FY2015			
	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)	1Q (Apr. 1, 2015– Jun. 30, 2015)	2Q (Jul. 1, 2015– Sep. 30, 2015)	3Q (Oct. 1, 2015– Dec. 30, 2015)	4Q (Jan. 1, 2016– Mar. 31, 2016)
Trading Value of Cash Equities (JPY mil.) *5	2,443,134	2,468,222	3,283,205	3,257,155	3,416,778	3,575,030	3,154,153	3,501,946
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)								
TOPIX Futures	73,233	72,966	100,907	92,741	84,471	101,362	86,923	102,415
Total Nikkei 225 Futures/mini *3	143,374	151,782	248,918	204,326	189,369	269,597	194,559	267,575
Nikkei 225 Futures	82,446	86,073	137,751	110,934	99,039	140,919	102,359	138,779
Nikkei 225 mini	609,277	657,091	1,111,671	933,919	903,304	1,286,780	922,004	1,287,966
Nikkei 225 Options (JPY mil.) *4	22,809	21,350	39,307	28,230	24,129	34,473	23,019	41,078
10-year JGB Futures	31,042	36,981	39,686	39,400	38,087	33,390	31,477	35,701

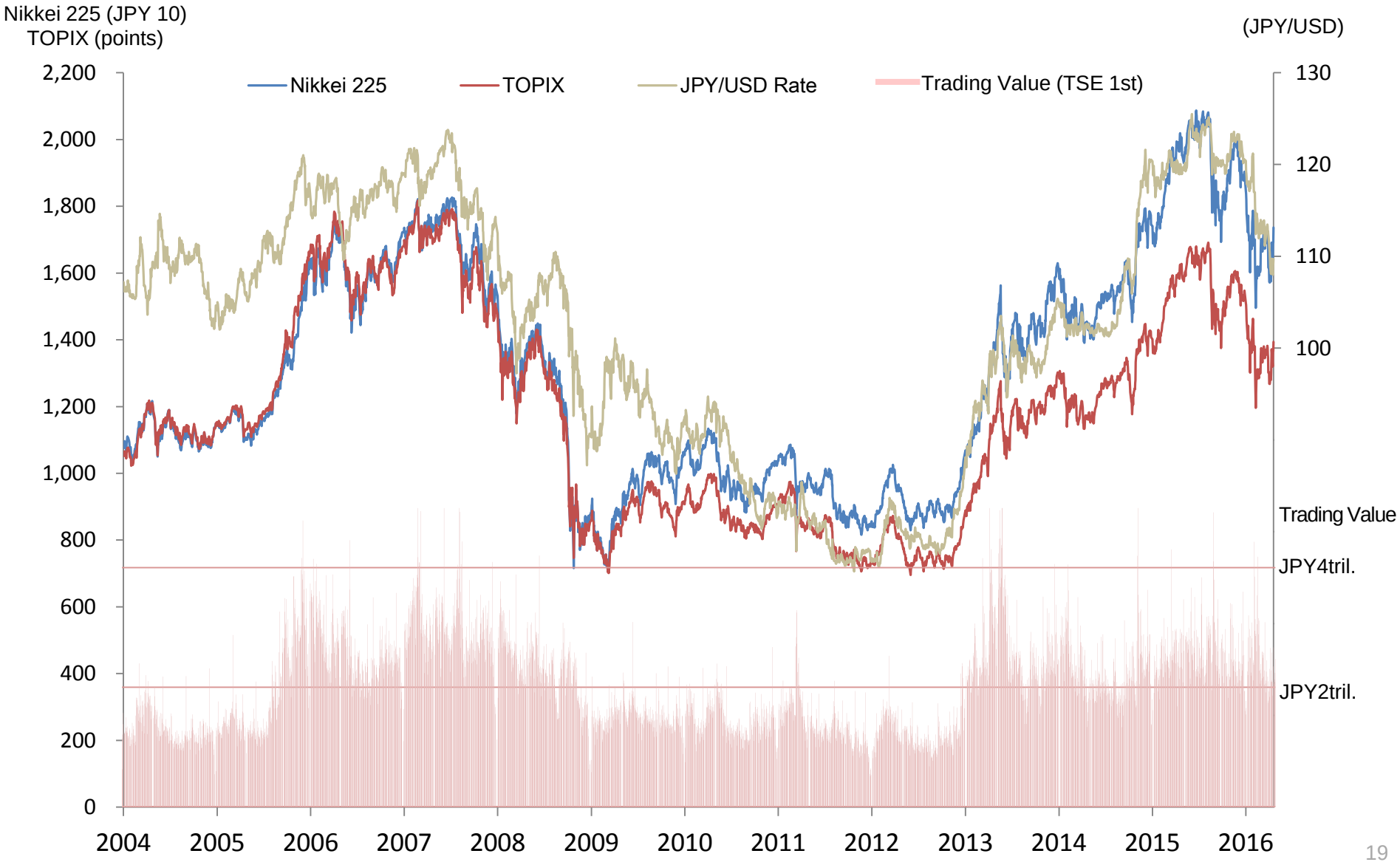
*1 Value of auction and off-auction trading of common stocks. *2 Total value of auction and off-auction trading. *3 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.
*4 Excluding Weekly Options. *5 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

JPX Stock Price



Listed on both the TSE1st Section and JASDAQ from January 1 to July 15, 2013. Prices above are prices on the TSE1st Section. Trading volumes above are the total of those on TSE1st Section and JASDAQ. Two stock splits were conducted separately with respective effective dates of October 1, 2013 and October 1, 2015. Stock prices and trading volume before said stock splits were converted to reflect both events.

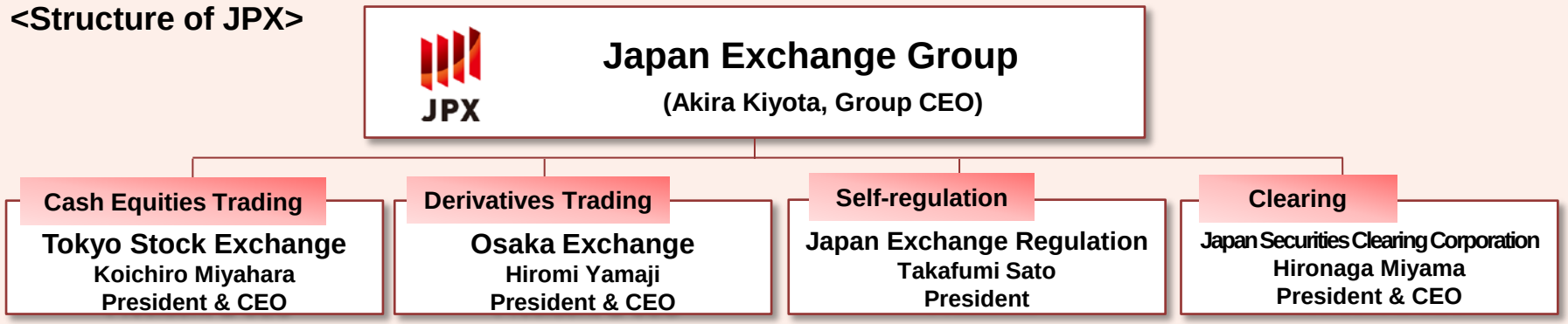
Japanese Stock Market



Outline of JPX Stock

Stock Code	8697
Listed Exchange	Tokyo Stock Exchange 1st Section
Fiscal Year End	March 31
Annual General Shareholders Meeting	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
Total number of shares issued	549,069,100 shares
Basic Policy on Profit Distribution	JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes: • Maintaining sound financial health as a financial instruments exchange group, • Preparing for risks as a clearing organization, and • Enabling the group to pursue investment opportunities to raise the competitiveness of its markets as they arise.

<Structure of JPX>



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