(Reference Translation)

October 29, 2018

Japan Exchange Group, Inc. and Consolidated Subsidiaries

Consolidated financial results for the six months ended September 30, 2018
(Based on IFRS), unaudited

Company name:	Japan Exchange Group, Inc.	Stock Exchange Listings: Tokyo
Code number:	8697	URL: https://www.jpx.co.jp/english/
Representative:	Akira Kiyota, Director & Representative Executive Officer, Group CEO	
Contact:	Mitsuo Miwa, Director, Corporate Communications	
Scheduled date of filing of quarterly report:		November 13, 2018
Scheduled date of start of dividend payment:		December 3, 2018
Preparation of 2Q earnings presentation material:		Yes
Holding of 2Q earnings announcement:		Yes (For institutional investors and analysts)

1. Consolidated financial results for six months ended September 30, 2018
(from April 1, 2018 to September 30, 2018)

(Figures less than a million yen are omitted.)

(1) Consolidated operating results (cumulative)

(Percentages represent year-on-year change)

	Operating revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent company		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	59,231	6.2	34,355	4.7	35,098	4.6	24,209	5.9	23,920	5.4	25,248	11.2
Six months ended September 30, 2017	55,762	5.4	32,808	16.1	33,554	15.6	22,856	15.4	22,692	15.8	22,696	45.9

	Basic earnings per share	Diluted earnings per share
	yen	yen
Six months ended September 30, 2018	44.65	–
Six months ended September 30, 2017	42.30	–

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2018	42,544,750	281,657	275,402	0.6
As of March 31, 2018	41,316,341	279,736	273,771	0.7

* Sizable amounts of “Clearing business financial assets and liabilities” and “Deposits from clearing participants” pertaining to clearing business conducted by consolidated subsidiary Japan Securities Clearing Corporation are included in assets and liabilities of JPX Group (meaning JPX and its subsidiaries). For JPX Group’s financial position excluding “Clearing business financial assets and liabilities”, “Deposits from clearing participants”, etc., see “1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION - (2) Explanation on Financial Position” on Page 4 of the Appendix.

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2018	–	24.00	–	43.00	67.00
Year ending March 31, 2019	–	27.00			
Year ending March 31, 2019 (Forecast)			–	27.00	54.00

(Note 1) Change in dividends forecast from the most recent announcement: None

(Note 2) Breakdown of year-end dividend for the fiscal year ended March 31, 2018: Ordinary Dividend ¥33; Commemorative Dividend ¥10.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages represent year-on-year change)

	Operating revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Year ending March 31, 2019	120,000	(0.6)	68,000	(5.3)	69,000	(5.5)	48,100	(5.0)	48,000	(4.9)	89.61

(Note) Change in earnings forecast from the most recent announcement: Yes

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries that caused changes in the scope of consolidation): None

(2) Changes in accounting policies / changes in accounting estimates

1) Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
2) Changes in accounting policies other than the above: None
3) Changes in accounting estimates: None

* For details, please refer to “2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES - (5) Notes on Condensed Consolidated Financial Statements (Changes in accounting policies)” on page 12 of the Appendix.

(3) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares):

As of September 30, 2018:	536,351,448
As of March 31, 2018:	536,351,448

2) Number of treasury shares at the end of period:

As of September 30, 2018:	721,216
As of March 31, 2018:	585,416

3) Average number of shares:

Six months ended September 30, 2018:	535,725,501
Six months ended September 30, 2017:	536,483,009

* Disclosure regarding the execution of the quarterly review process

This release is outside the scope of the quarterly review by certified public accountants or an audit firm.

* Explanation on appropriate use of forecast and other special items

This material contains earnings forecast and other forward-looking statements which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors may cause actual results, etc. to be materially different from those expressed in these forward-looking statements.

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1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

(1) Explanation on Operating Results

During the consolidated cumulative second quarter (from April 1, 2018 to September 30, 2018), JPX Group recorded operating revenue of ¥59,231 million (6.2% increase from the same period of the previous fiscal year (i.e., year-on-year)) due to factors such as year-on-year increases in clearing services revenue, listing services revenue and information services revenue, and operating expenses were ¥26,202 million (9.2% year-on-year increase). As a result, JPX Group recorded operating income of ¥34,355 million (4.7% year-on-year increase) and income before income tax of ¥35,098 million (4.6% year-on-year increase).

In addition, net income attributable to owners of the parent company after tax was ¥23,920 million (5.4% year-on-year increase).

(Operating revenue)

1) Trading services revenue

Trading services revenue comprises “Transaction Fees” based on the value of securities traded or volume of derivatives traded, “Basic Fees” based on the types of the trading participant’s trading qualification, “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 consolidated cumulative second quarter, trading services revenue maintained the same level year-on-year at ¥23,679 million.

Breakdown of trading services revenue

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	
			Change (%)
Trading services revenue	23,673	23,679	0.0
Transaction fees	19,043	19,036	(0.0)
Cash equities	14,054	14,061	0.0
Derivatives	4,989	4,975	(0.3)
TOPIX futures transactions	987	957	(3.1)
Nikkei 225 futures transactions *1	1,986	2,010	1.2
Nikkei 225 options transactions *2	1,203	1,004	(16.5)
10-year JGB futures transactions	762	940	23.4
Others	48	62	26.8
Basic fees	524	512	(2.4)
Access fees	2,414	2,368	(1.9)
Trading system facilities Usage fees	1,647	1,717	4.2
Others	42	45	7.5

*1 Figures include Nikkei 225 mini futures transactions.

*2 Figures exclude Nikkei 225 Weekly Options transactions.

2) Clearing services revenue

Clearing services revenue comprises clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation.

During the consolidated cumulative second quarter, clearing services revenue increased 9.9% year-on-year to ¥12,067 million.

3) Listing services revenue

Listing services revenue comprises “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 consolidated cumulative second quarter, listing services revenue increased 13.5% year-on-year to ¥6,848 million due to increases in initial/additional listing fees and annual listing fees.

Breakdown of listing services revenue

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	
			Change (%)
Listing services revenue	6,032	6,848	13.5
Initial/Additional listing fees	1,525	1,790	17.4
Annual listing fees	4,506	5,058	12.2

4) Information services revenue

Information services revenue comprises revenue related to the provision of market information to information vendors, etc., which is market information fees, revenue related to the index business, and revenue related to the provision of corporate action information and other information.

During the consolidated cumulative second quarter, information services revenue increased 7.5% year-on-year to ¥10,465 million due mainly to increases in market information fees and index business revenue.

5) Other operating revenue

Other operating revenue includes the following main items:

- Usage fees for arrownet, which connects trading, market information and other systems to trading participants and other users;
- Usage fees related to co-location services that allow trading participants, information vendors, and other users to install devices in the system center for the purpose of improving trade execution efficiency by shortening order transmission time, etc.;
- Revenue from provision of trading system and other services; and
- Revenue from system development and operations conducted by consolidated subsidiary TOSHO SYSTEM SERVICE CO., LTD.

During the consolidated cumulative second quarter, other operating revenue increased 15.4% year-on-year to ¥6,170 million due mainly to increases in revenue from usage fees related to co-location services.

Breakdown of other operating revenue

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	
			Change (%)
Other operating revenue	5,347	6,170	15.4
arrownet usage fees	1,555	1,608	3.4
Co-location services usage fees	1,697	1,900	12.0
Other	2,095	2,661	27.0

(Operating expenses)

During the consolidated cumulative second quarter, personnel expenses increased 3.0% year-on-year to ¥7,894 million.

System maintenance and operation expenses include expenses related to maintenance and management/operations of various systems including the cash equities and derivatives trading systems.

During the consolidated cumulative second quarter, system maintenance and operation expenses increased 5.1% year-on-year to ¥5,935 million.

During the consolidated cumulative second quarter, depreciation and amortization increased 23.9% year-on-year to ¥5,702 million.

During the consolidated cumulative second quarter, other operating expenses increased 9.8% year-on-year to ¥6,669 million.

(2) Explanation on Financial Position

(Assets, liabilities, and equity)

For assets and liabilities of JPX Group, “clearing business financial assets and liabilities” assumed by Japan Securities Clearing Corporation as a clearing organization and “deposits from clearing participants” deposited by clearing participants as collateral are included under both assets and liabilities. “Clearing business financial assets and liabilities” and “Deposits from clearing participants” have a large impact on the amount of assets and liabilities of JPX Group due to their sizable amounts and daily fluctuations subject to changes in clearing participants’ positions. In addition, “Legal guarantee funds”, “Trading participant security money”, and “Default compensation reserve funds” based on the rules for securing safety of financial instruments transactions are included under assets and liabilities or equity.

Total assets as of September 30, 2018 increased ¥1,228,408 million from the end of the previous fiscal year to ¥42,544,750 million as a result of an increase in clearing business financial assets. Excluding clearing business financial assets, deposits from clearing participants, legal guarantee funds, and default compensation reserve funds, assets decreased ¥3,982 million from the end of the previous fiscal year to ¥350,635 million.

Total liabilities as of September 30, 2018 increased ¥1,226,488 million from the end of the previous fiscal year to ¥42,263,093 million as a result of an increase in clearing business financial liabilities. Excluding clearing business financial liabilities, deposits from clearing participants, legal guarantee funds, and trading participant security money, liabilities decreased ¥6,823 million from the end of the previous fiscal year to ¥88,603 million.

Total equity as of September 30, 2018 increased ¥1,920 million from the end of the previous fiscal year to ¥281,657 million, due to capital increase from net income attributable to owners of the parent company, and capital reduction due mainly to dividend payment. In addition, after excluding default compensation reserve funds, total equity as of the same date was ¥253,709 million.

<Reference>

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2018	42,544,750	281,657	275,402	0.6
	*350,635	*253,709	*247,454	*70.6
As of March 31, 2018	41,316,341	279,736	273,771	0.7
	*354,618	*251,788	*245,823	*69.3

(Note)

Figures marked “*” under “Total assets” exclude “Clearing business financial assets”, “Deposits from clearing participants”, “Legal guarantee funds”, and “Default compensation reserve funds”, “Total equity” and “Total equity attributable to owners of the parent company” exclude “Default compensation reserve funds”.

(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc.

1) Consolidated Earnings Forecast

Figures in the consolidated earnings forecast for the period have been revised based on the assumptions for daily average trading values and volumes indicated below.

Taking into account recent market conditions, the assumptions for the average daily trading values and volumes, which were used in the consolidated earnings forecast announced in the "Consolidated financial results for the fiscal year ended March 31, 2018 (Based on IFRS), unaudited" on April 27, 2018 (hereinafter "previously disclosed material") have been revised to ¥3.25 trillion for stocks, etc. *1 (down ¥200 billion from that in the previously disclosed material, the same applies to comparisons hereinafter), 38,000 contracts for 10-year JGB futures transactions (up 7,000 contracts), 102,000 contracts for TOPIX futures transactions (down 11,000 contracts), 193,000 contracts for Nikkei 225 futures transactions*2 (down 13,000 contracts), and ¥23.0 billion for Nikkei 225 options transactions*3 (down ¥4.5 billion).

Figures in the revised consolidated earnings forecast also reflect the decrease in the operating expenses forecast based on the actual figures through to the second quarter.

*1 The trading value of stocks listed on the TSE 1st and 2nd Sections, Mothers, JASDAQ, and TOKYO PRO Market, and that of ETFs, ETNs, REITs, etc. (includes auction and off-auction trading)

*2 Includes Nikkei 225 mini contract volumes converted into large-sized contracts

*3 Excludes Weekly Options transactions

2) Dividend Forecast

There are no revisions to the dividend forecast from the forecast figures announced in previously disclosed material.

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 JPX Group to pursue investment opportunities to raise the competitiveness of its markets as they arise.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Condensed Consolidated Statement of Financial Position

	As of March 31, 2018	As of September 30, 2018
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	78,999	63,592
Trade and other receivables	11,841	11,318
Clearing business financial assets	37,311,964	38,109,984
Specified assets for deposits from clearing participants	3,621,319	4,055,701
Specified assets for legal guarantee funds	491	480
Income tax receivables	6,191	7,715
Other financial assets	86,700	98,200
Other current assets	1,814	3,044
Total current assets	41,119,322	42,350,036
Non-current assets		
Property and equipment	5,209	6,400
Goodwill	67,374	67,374
Intangible assets	34,208	33,086
Retirement benefit assets	5,956	5,922
Investments accounted for using the equity method	10,407	11,430
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	36,252	32,497
Other non-current assets	5,774	6,124
Deferred tax assets	3,887	3,928
Total non-current assets	197,019	194,713
Total assets	41,316,341	42,544,750

	As of March 31, 2018	As of September 30, 2018
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	5,591	4,420
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	37,311,964	38,109,984
Deposits from clearing participants	3,621,319	4,055,701
Legal guarantee funds	491	480
Trading participant security money	7,402	8,323
Income tax payables	14,253	10,525
Other current liabilities	7,599	5,986
Total current liabilities	41,001,120	42,227,921
Non-current liabilities		
Bonds and loans payable	19,940	19,943
Retirement benefit liabilities	7,624	7,748
Other non-current liabilities	3,392	3,222
Deferred tax liabilities	4,526	4,257
Total non-current liabilities	35,484	35,171
Total liabilities	41,036,604	42,263,093
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(953)	(1,218)
Other components of equity	10,816	9,822
Retained earnings	212,691	215,581
Total equity attributable to owners of the parent company	273,771	275,402
Non-controlling interests	5,965	6,254
Total equity	279,736	281,657
Total liabilities and equity	41,316,341	42,544,750

(2) Condensed Consolidated Statement of Income

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Millions of yen	Millions of yen
Revenue		
Operating revenue	55,762	59,231
Other revenue	195	92
Total revenue	55,957	59,323
Expenses		
Operating expenses	23,984	26,202
Other expenses	0	1
Total expenses	23,984	26,203
Share of income of investments accounted for using the equity method	835	1,235
Operating income	32,808	34,355
Financial income	787	784
Financial expenses	41	41
Income before income tax	33,554	35,098
Income tax expense	10,698	10,888
Net income	22,856	24,209
Net income attributable to		
Owners of the parent company	22,692	23,920
Non-controlling interests	163	289
Net income	22,856	24,209
Earnings per share		
Basic (Yen)	42.30	44.65
Diluted (Yen)	–	–

(3) Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Millions of yen	Millions of yen
Net income	22,856	24,209
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(159)	1,038
Share of other comprehensive income of investments accounted for using the equity method	0	(0)
Other comprehensive income, net of tax	(159)	1,038
Comprehensive income	22,696	25,248
Comprehensive income attributable to		
Owners of the parent company	22,532	24,958
Non-controlling interests	163	289
Comprehensive income	22,696	25,248

(4) Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the parent company			
	Share capital	Capital surplus	Treasury shares	Other components of equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	11,500	59,722	(13,506)	11,604
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(159)
Total comprehensive income	–	–	–	(159)
Acquisition of treasury shares	–	(2)	(7,452)	–
Dividends paid	–	–	–	–
Changes of interests in subsidiaries without losing control	–	–	1	–
Total transactions with the owners	–	(2)	(7,450)	–
Balance as of September 30, 2017	11,500	59,720	(20,957)	11,444
Balance as of April 1, 2018	11,500	39,716	(953)	10,816
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	1,038
Total comprehensive income	–	–	–	1,038
Acquisition of treasury shares	–	–	(264)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(2,032)
Total transactions with the owners	–	–	(264)	(2,032)
Balance as of September 30, 2018	11,500	39,716	(1,218)	9,822

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	188,634	257,955	5,815	263,770
Net income	22,692	22,692	163	22,856
Other comprehensive income, net of tax	–	(159)	–	(159)
Total comprehensive income	22,692	22,532	163	22,696
Acquisition of treasury shares	–	(7,454)	–	(7,454)
Dividends paid	(14,066)	(14,066)	–	(14,066)
Changes of interests in subsidiaries without losing control	–	1	–	1
Total transactions with the owners	(14,066)	(21,519)	–	(21,519)
Balance as of September 30, 2017	197,260	258,968	5,979	264,947
Balance as of April 1, 2018	212,691	273,771	5,965	279,736
Net income	23,920	23,920	289	24,209
Other comprehensive income, net of tax	–	1,038	–	1,038
Total comprehensive income	23,920	24,958	289	25,248
Acquisition of treasury shares	–	(264)	–	(264)
Dividends paid	(23,063)	(23,063)	–	(23,063)
Transfer from other components of equity to retained earnings	2,032	–	–	–
Total transactions with the owners	(21,030)	(23,327)	–	(23,327)
Balance as of September 30, 2018	215,581	275,402	6,254	281,657

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Changes in accounting policies)

JPX Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" since the consolidated first quarter accounting period. The application of IFRS 9 and 15 does not have any impact on the performance or financial conditions of JPX Group.

(Operating Revenue)

The breakdown of “Operating revenue” is as follows:

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Millions of yen	Millions of yen
Trading services revenue	23,673	23,679
Clearing services revenue	10,975	12,067
Listing services revenue	6,032	6,848
Information services revenue	9,733	10,465
Other	5,347	6,170
Total	55,762	59,231

(Operating Expenses)

The breakdown of “Operating expenses” is as follows:

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Millions of yen	Millions of yen
Personnel expenses	7,661	7,894
System maintenance and operation expenses	5,645	5,935
Depreciation and amortization	4,601	5,702
Other	6,075	6,669
Total	23,984	26,202

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