Overview of Earnings for Q2 FY2019

Total smart exchange

Japan Exchange Group, Inc.

October 30, 2019



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I. Overview of Earnings for Q2 FY2019 〔IFRS〕
(April 1, 2019 – September 30, 2019)

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

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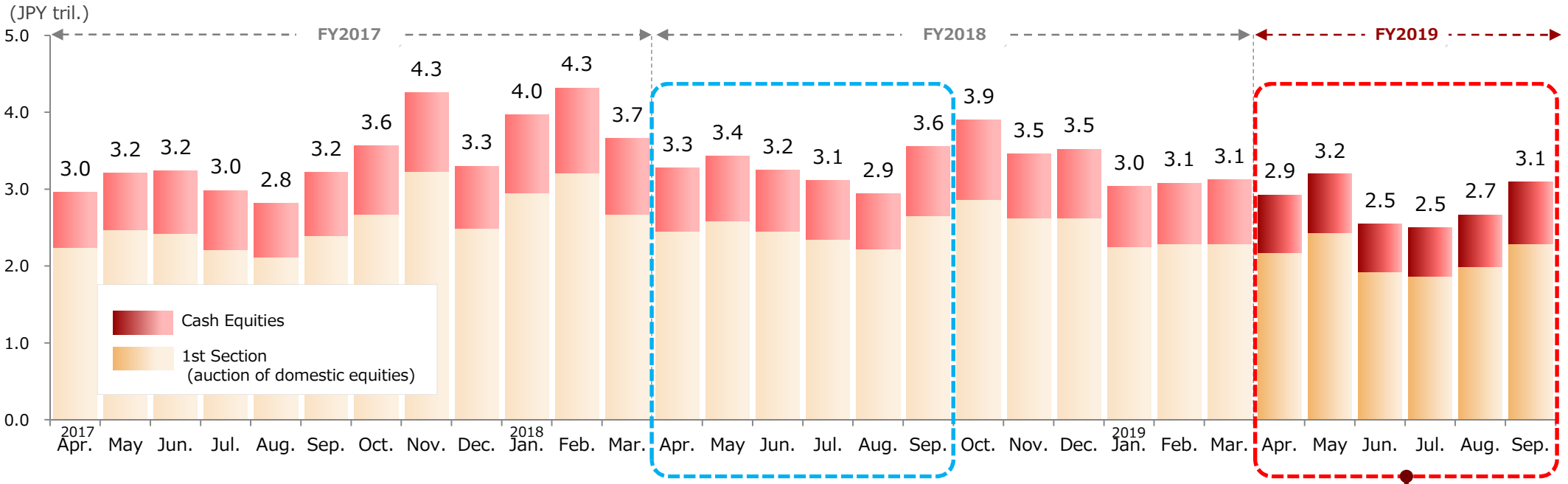
Market Trends (Cash Equities)

Cash Equities Average Daily Trading Value (April 2017 - September 2019)



Daily Average Trading Value by Market Division (JPY)

		FY2017	FY2018	FY2019		
		Annual Ave.	Annual Ave.	Q2 Ave.	Q2 FY2018 Ave.	y/y
Auction	1st Section Domestic Equities	2,572.6 bil.	2,461.3 bil.	2,092.9 bil.	2,435.6 bil.	(14.1 %)
	ETFs / ETNs	184.7 bil.	198.0 bil.	160.3 bil.	171.0 bil.	(6.3 %)
	Markets for Emerging Companies (JASDAQ & Mothers)	194.4 bil.	155.4 bil.	132.9 bil.	149.1 bil.	(10.9 %)
Off-auction		409.1 bil.	422.1 bil.	350.5 bil.	421.5 bil.	(16.8 %)
Cash Equities (auction/off-auction) Total		3,446.2 bil.	3,306.8 bil.	2,808.8 bil.	3,248.1 bil.	(13.5 %)

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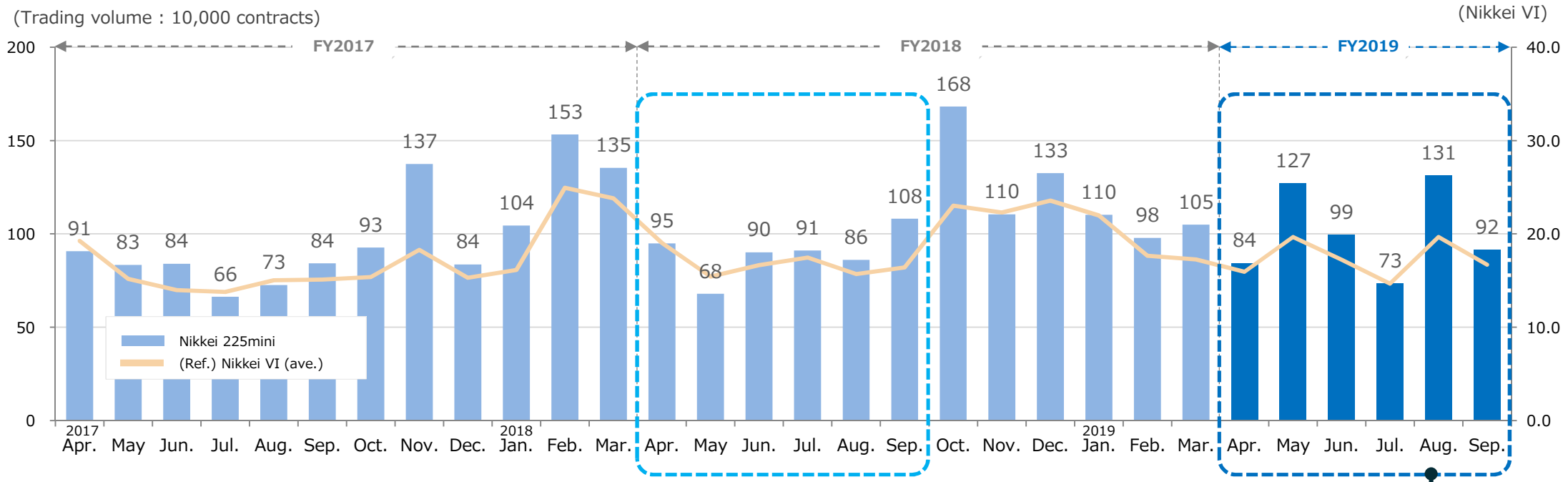
Market Trends (Derivatives)

Nikkei 225mini Average Daily Trading Volume (April 2017 - September 2019)



Average daily trading volume/value of major products

	FY2017	FY2018	FY2019		
	Annual Ave.	Annual Ave.	Q2 Ave.	Q2 FY2018 Ave.	y/y
TOPIX Futures	105,287 contracts	103,896 contracts	109,678 contracts	95,144 contracts	+15.3 %
Nikkei 225 Futures (Large)	102,167 contracts	99,939 contracts	93,821 contracts	87,236 contracts	+7.5%
Nikkei 225 mini	984,797 contracts	1,051,071 contracts	1,007,827 contracts	891,519 contracts	+13.0 %
Nikkei 225 Options*	JPY 27 bil.	JPY 23 bil.	JPY 20.2 bil.	JPY 18.7 bil.	+7.9 %
10-year JGB Futures	35,978 contracts	42,087 contracts	41,157 contracts	40,047 contracts	+2.8 %
Trading Volume in Total	353 mil. contracts	364 mil. contracts	175 mil. contracts	160 mil. contracts	+8.9 %

* Excluding Weekly Options.

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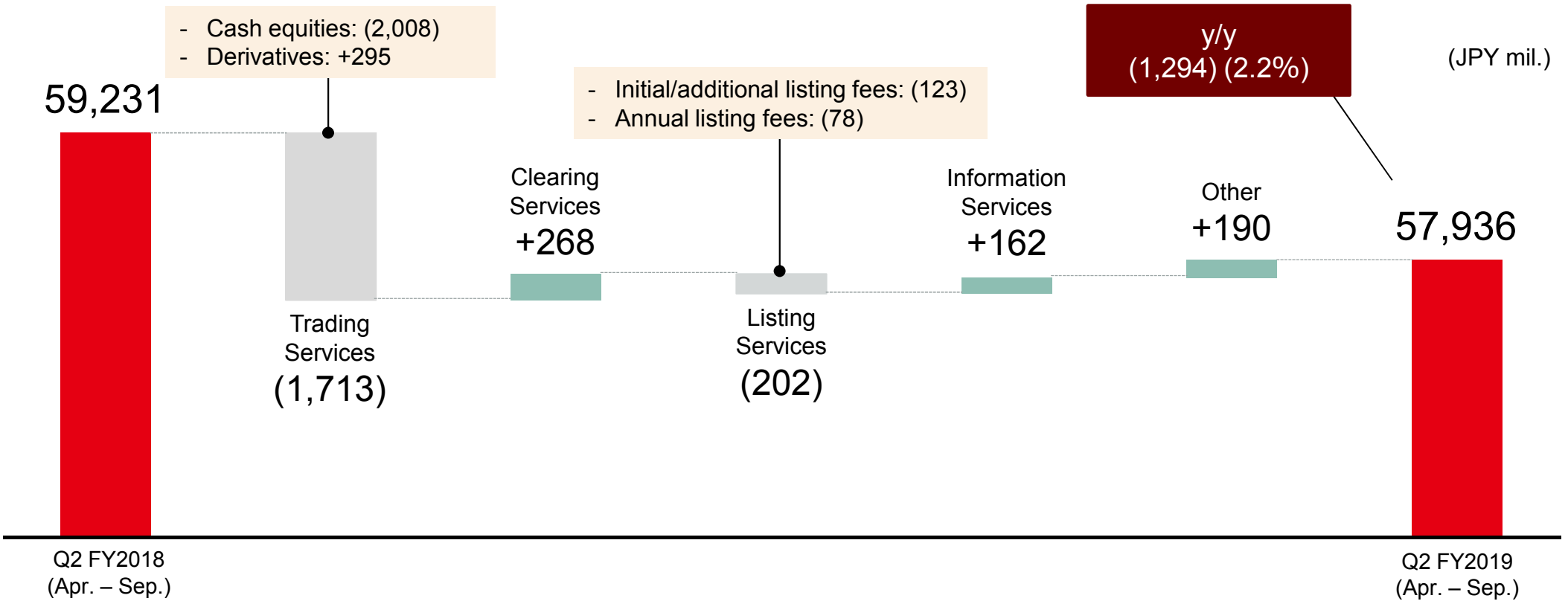
Operating Revenue

- Revenues from trading services decreased due to a decrease in cash equities trading.
- Revenues from clearing services increased mainly for OTC-related services.
- Revenues from information services grew due to an increase in index licensing fees resulting from the growth in ETF AUM.
- Other operating revenues increased due in part to increased usage of co-location and network (arrownet) services



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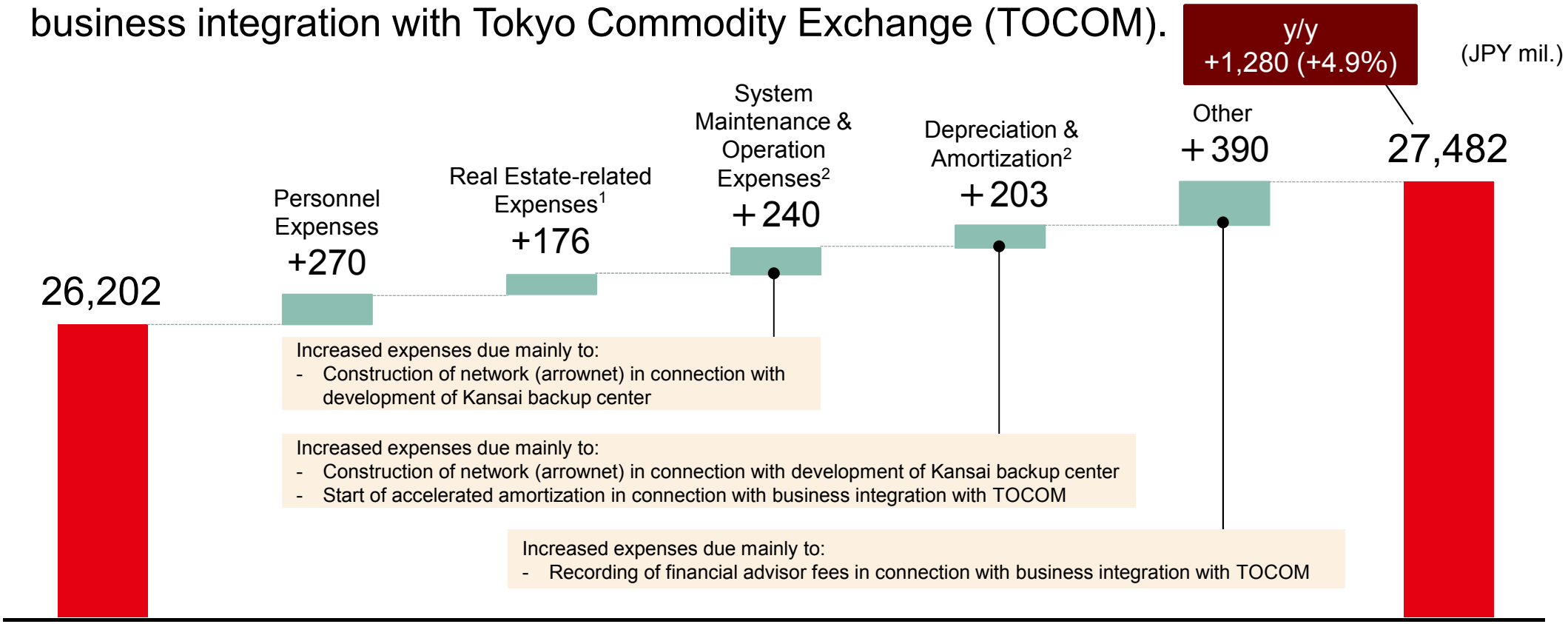
Operating Expenses

- System maintenance and operation expenses, as well as depreciation & amortization increased due mainly to construction of a network (arrownet) in connection with development of Kansai backup center.
- Depreciation & amortization, and other expenses increased due mainly to the start of accelerated amortization and posting of financial advisor fees in connection with business integration with Tokyo Commodity Exchange (TOCOM).



1. The new accounting standard for leases under IFRS is applied from Q1 FY2019. Under this new standard, a portion of these expenses should be included under depreciation; however, for ease of comparison, this portion is included under "Real Estate-related Expenses" in this figure.
2. In March 2019, the OTC clearing system was transferred from TOSHO System Service to Tokyo Stock Exchange. With that, a portion of the expenses that were previously recorded as system maintenance and operation expenses have been recorded as depreciation and amortization expenses. For ease of comparison, the expenses that correspond to the same category in the same period a year earlier have also been reclassified into depreciation and amortization expenses.

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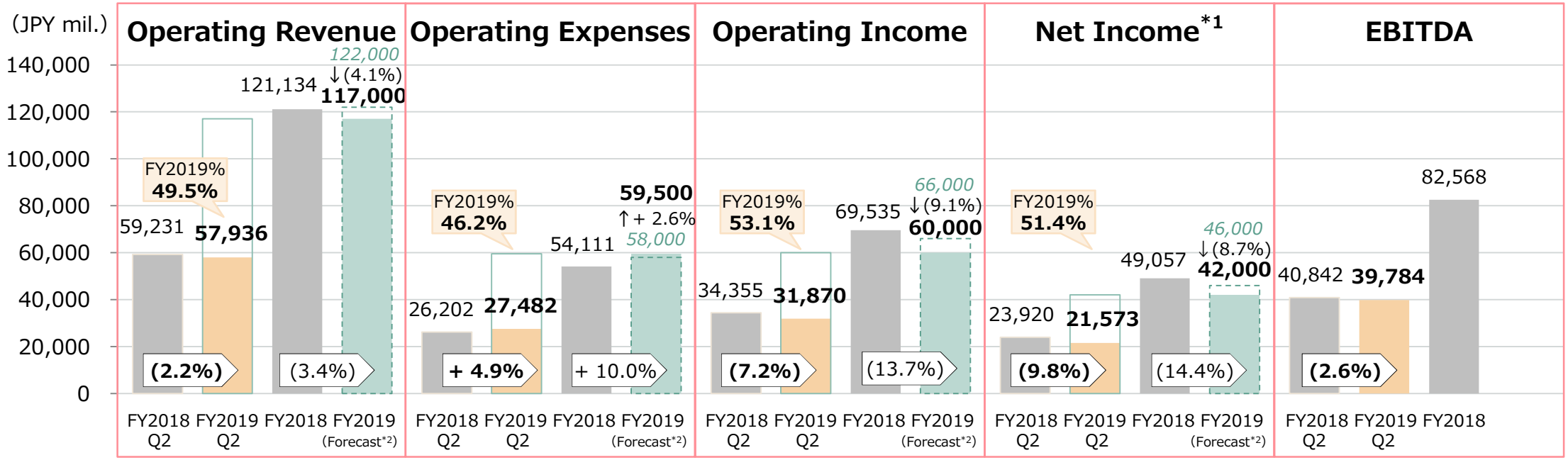
Highlights and FY2019 Forecast

- Operating revenue decreased due to a decrease in cash equities trading and operating expenses increased due mainly to system-related expenses. As a result, quarterly net income decreased 9.8% year on year.



*1 Net Income attributable to owners of the parent company.
*2 These values were modified on Sep. 25, 2019. Values in *green* (represented by dotted bars) were the initial forecasts. The forecasted dividend was also modified on Sep. 25, 2019 from JPY 52 to JPY 48 per share.

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

	Q2 FY2018	Q2 FY2019		FY2018	FY2019 (Assumptions for forecasts)			
			y/y		(Initial)	(Revised on Sep. 25)	y/y	Change from Initial
Cash Equities (trading value) *1	JPY 3,248.1 bil.	JPY 2,808.8 bil.	(13.5%)	JPY 3,306.8 bil.	JPY 3,300.0 bil.	JPY 2,800.0 bil.	(15.3%)	(15.2%)
TOPIX Futures (trading volume)	95,144 contracts	109,678 contracts	+ 15.3%	103,896 contracts	108,000 contracts	107,000 contracts	+3.0%	(0.9%)
Nikkei 225 Futures (trading volume) *2	176,388 contracts	194,603 contracts	+ 10.3%	205,046 contracts	215,000 contracts	201,000 contracts	(2.0%)	(6.5%)
Nikkei 225 Options (trading value) *3	JPY 18.7 bil.	JPY 20.2 bil.	+ 7.9%	JPY 23.0 bil.	JPY 26.5 bil.	JPY 23.0 bil.	(0.2%)	(13.2%)
10-year JGB Futures (trading volume)	40,047 contracts	41,157 contracts	+ 2.8%	42,087 contracts	33,000 contracts	40,000 contracts	(5.0%)	+ 21.2%

*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.

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II. Reference Materials

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Referential Financial Data

➢ Quarterly Business Performance

(JPY mil.)

	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Operating Revenue	29,562	29,668	32,788	29,114	29,069	28,867
Operating Expenses	12,917	13,284	13,455	14,453	13,643	13,839
Operating Income	17,413	16,942	19,947	15,232	16,246	15,623
Net Income *1	11,623	12,296	14,510	10,626	10,711	10,862
EBITDA	20,412	20,429	23,257	18,468	20,228	19,556

➢ Annual Business Performance

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018 Apr. - Sep.	FY2019 Apr. - Sep.	y/y
Operating Revenue	113,846	106,167	114,776	107,885	120,711	121,134	59,231	57,936	(2.2%)
Operating Expenses	59,244	52,863	50,925	50,185	50,902	54,111	26,202	27,482	+ 4.9%
Operating Income	53,343	53,529	66,271	59,377	71,791	69,535	34,355	31,870	(7.2%)
Net Income *1	33,304	34,427	44,877	42,124	50,484	49,057	23,920	21,573	(9.8%)
EBITDA	68,296	65,743	77,791	71,595	82,505	82,568	40,842	39,784	(2.6%)

*1 Net income attributable to owners of the parent company.
*2 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.

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Referential Financial Data

➢ Quarterly Operating Revenue

(JPY mil.)

	FY2018				FY2019			FY2018	FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Ratio	Apr. - Sep.	Apr. – Sep.	Ratio	y/y
Trading services revenue	**11,941**	**11,737**	**13,684**	**11,296**	**11,057**	**10,908**	**38%**	**23,679**	**21,965**	**38%**	**(7.2%)**
Transaction Fees	9,622	9,413	11,236	8,974	8,735	8,607		19,036	17,343		(8.9%)
Cash Equities	7,231	6,829	7,612	6,410	6,141	5,907	69%*1	14,061	12,049	69%*1	(14.3%)
Derivatives	2,391	2,584	3,624	2,563	2,593	2,700	31%*1	4,975	5,294	31%*1	+ 6.4%
TOPIX Futures	464	492	584	489	493	543		957	1,037		+ 8.3%
Nikkei 225 Futures (incl. mini)	946	1,064	1,483	1,028	1,038	1,072		2,010	2,111		+ 5.0%
Nikkei 225 Options *2	500	504	994	564	559	556		1,004	1,115		+ 11.0%
10-year JGB Futures	442	498	553	451	467	475		940	943		+ 0.3%
Others	37	24	8	29	34	52		62	87		+ 40.3%
Basic Fees	257	254	253	251	249	247		512	496		(3.0%)
Access Fees	1,188	1,179	1,268	1,163	1,149	1,139		2,368	2,289		(3.3%)
Trading System Facilities Usage Fees	851	866	898	883	901	889		1,717	1,791		+ 4.3%
Others	22	23	27	22	21	23		45	45		(0.2%)
Clearing services revenue	**6,072**	**5,994**	**7,051**	**5,670**	**6,157**	**6,177**	**21%**	**12,067**	**12,335**	**21%**	**+ 2.2%**
Listing services revenue	**3,254**	**3,594**	**3,575**	**3,600**	**3,290**	**3,356**	**12%**	**6,848**	**6,646**	**11%**	**(3.0%)**
Initial/Additional Listing Fees	773	1,017	1,115	1,089	734	933		1,790	1,667		(6.9%)
Annual Listing Fees	2,481	2,576	2,460	2,511	2,556	2,423		5,058	4,979		(1.6%)
Information services revenue	**5,300**	**5,164**	**5,263**	**5,299**	**5,345**	**5,282**	**18%**	**10,465**	**10,628**	**18%**	**+ 1.6%**
Other	**2,993**	**3,177**	**3,212**	**3,247**	**3,218**	**3,142**	**11%**	**6,170**	6,360	**11%**	**+ 3.1%**
arrownet Usage Fees	796	811	819	833	837	829		1,608	1,667		+ 3.6%
Co-location Usage Fees	943	957	994	992	1,019	970		1,900	1,989		+ 4.7%
Others*3	1,253	1,408	1,399	1,420	1,360	1,342		2,661	2,703		+ 1.6%
Total	**29,562**	**29,668**	**32,788**	**29,114**	**29,069**	**28,867**	**100%**	**59,231**	**57,936**	**100%**	**(2.2%)**

*1 Figures are indicate percentage of Transaction Fees.
*2 Excluding Weekly Options.
*3 Including Proximity Usage Fees.

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Referential Financial Data

➢ Annual Operating Revenue

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Trading services revenue	54,155	48,698	52,471	45,703	51,766	48,660
Clearing services revenue	20,334	20,092	23,140	21,454	23,473	24,788
Listing services revenue	12,308	12,249	13,250	12,903	14,547	14,025
Information services revenue	16,116	16,311	17,706	18,112	19,878	21,029
Other	10,931	8,815	8,208	9,711	11,045	12,630
Total	113,846	106,167	114,776	107,885	120,711	121,134

* Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013

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Referential Financial Data

➢ Quarterly Operating Expenses

(JPY mil.)

	FY2018				FY2019*3		FY2019 IFRS 16 Leases applied	
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2
Personnel expenses	3,884	4,009	3,828	4,861	4,117	4,047	4,117	4,047
System maintenance & operation expenses	3,051	2,883	2,981	2,981	2,935	2,987	2,935	2,987
Depreciation & amortization	2,782	2,919	3,049	2,947	3,018	3,140	3,801	3,922
Real Estate-related Expenses	978	982	987	990	1,066	1,070	283	287
Other	2,219	2,489	2,608	2,672	2,505	2,593	2,505	2,593
Total	12,917	13,284	13,455	14,453	13,643	13,839	13,643	13,839

➢ Annual Operating Expenses

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018 Apr. - Sep.	FY2019 Apr. - Sep.*3	y/y
Personnel expenses	15,101	15,265	16,437	15,614	16,329	16,584	7,894	8,164	+ 3.4%
System maintenance & operation expenses	11,642	9,947	11,923	10,813	12,100	11,898	5,935	5,923	(0.2%)
Depreciation & amortization	13,413	10,803	9,973	10,983	9,431	11,699	5,702	6,158	+ 8.0%
Real Estate-related Expenses	5,900	5,959	4,620	4,062	3,904	3,939	1,960	2,136	+ 9.0%
Other	13,185	10,888	7,970	8,711	9,136	9,989	4,709	5,099	+ 8.3%
Total	59,244	52,863	50,925	50,185	50,902	54,111	26,202	27,482	+ 4.9%

*1 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.
*2 From FY2015, a portion of subsidiary Tosho System Service expenses are now included under "System maintenance & operation expenses" rather than "Other".
*3 New accounting standards for leases under IFRS are applied from Q1 FY2019, and an amount previously included under of "Real Estate-related Expenses" is now included under depreciation. For the purpose of comparison, this portion is included under "Real Estate-related Expenses" in these columns.

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Referential Financial Data

➢ Consolidated Statement of Financial Position

(JPY mil.)

		As of Mar. 31,2019	As of Sep. 30,2019
Assets			
	Current assets		
	Cash and cash equivalents	63,891	62,037
	Trade and other receivables	11,402	11,397
*1	Clearing business financial assets	49,886,377	63,885,755
*2	Specified assets for deposits from clearing participants	3,795,086	4,133,898
*3	Specified assets for legal guarantee funds	490	487
	Income tax receivables	6,311	7,556
	Other financial assets	113,100	111,900
	Other current assets	1,979	3,397
	Total current assets	53,878,639	68,216,430
	Non-current assets		
	Property and equipment	7,293	11,579
	Goodwill	67,374	67,374
	Intangible assets	33,435	34,584
	Retirement benefit assets	5,872	5,825
	Investments accounted for using the equity method	12,474	13,563
*5	Specified assets for default compensation reserve funds	27,948	27,948
	Other financial assets	26,634	23,086
	Other non-current assets	6,071	6,004
	Deferred tax assets	3,661	3,746
	Total non-current assets	190,766	193,712
Total assets		54,069,405	68,410,143

		As of Mar. 31,2019	As of Sep. 30,2019
Liabilities and equity			
	Liabilities		
	Current liabilities		
	Trade and other payables	4,421	3,855
	Bonds and loans payable	32,500	32,500
*1	Clearing business financial liabilities	49,886,377	63,885,755
*2	Deposits from clearing participants	3,795,086	4,133,898
*3	Legal guarantee funds	490	487
*4	Trading participant security money	8,384	8,230
	Income tax payables	9,676	10,047
	Other current liabilities	7,136	8,389
	Total current liabilities	53,744,073	68,083,164
	Non-current liabilities		
	Bonds and loans payable	19,946	19,950
	Retirement benefit liabilities	7,964	8,004
	Other non-current liabilities	2,914	4,183
	Deferred tax liabilities	3,055	2,821
	Total non-current liabilities	33,882	34,960
	Total liabilities	53,777,955	68,118,124
	Equity		
	Share capital	11,500	11,500
	Capital surplus	39,716	39,716
	Treasury shares	(1,213)	(1,560)
	Other components of equity	7,688	7,160
*6	Retained earnings	227,317	228,341
	Total equity attributable to owners of the parent company	285,009	285,158
	Non-controlling interests	6,441	6,860
	Total equity	291,450	292,019
Total liabilities and equity		54,069,405	68,410,143

*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.

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Referential Financial Data

➢ Sale of SGX Shares (thou. shares, JPY mil.)

	FY2018				FY2019		Total
	Q1	Q2	Q3	Q4	Q1	Q2	
Shares sold (% of shareholding)*	2,947 (5.6%)	4,421 (8.3%)	4,421 (8.3%)	4,421 (8.3%)	4,421 (8.3%)	4,421 (8.3%)	25,052 (47.2%)
Total value sold	1,766	2,691	2,554	2,728	2,603	2,812	15,157

* Percentage of shareholding of 53,051,000 shares as of Mar. 30, 2018

➢ Assets, Liabilities, and Equity

For assets and liabilities of JPX Group, "clearing business financial assets and liabilities[*1]" assumed by JSCC as a clearing organization and "deposits from clearing participants[*2]" deposited by clearing participants as collateral are included under both assets and liabilities. "Clearing business financial assets and liabilities[*1]" and "deposits from clearing participants[*2]" 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[*3]", "trading participant security money[*4]", and "default compensation reserve funds[*5]" based on the rules for securing safety of financial instruments transactions are included under assets and liabilities or equity.
The figures shown in parentheses in the table below are those calculated by excluding "clearing business financial assets[*1]", "deposits from clearing participants[*2]", "legal guarantee funds[*3]", and "default compensation reserve funds[*5]" for total assets, and by excluding "default compensation reserve funds[*6]" for total equity and total equity attributable to owners of the parent company.

	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
	JPY mil.	JPY mil.	JPY mil.	%
FY2019 Q2	68,410,143 (362,054)	292,019 (264,070)	285,158(257,210)	0.4 (71.0)
FY2018	54,069,405 (359,502)	291,450 (263,502)	285,009 (257,060)	0.5 (71.5)

* The footnotes from page 14 also apply in those the contents of this page.

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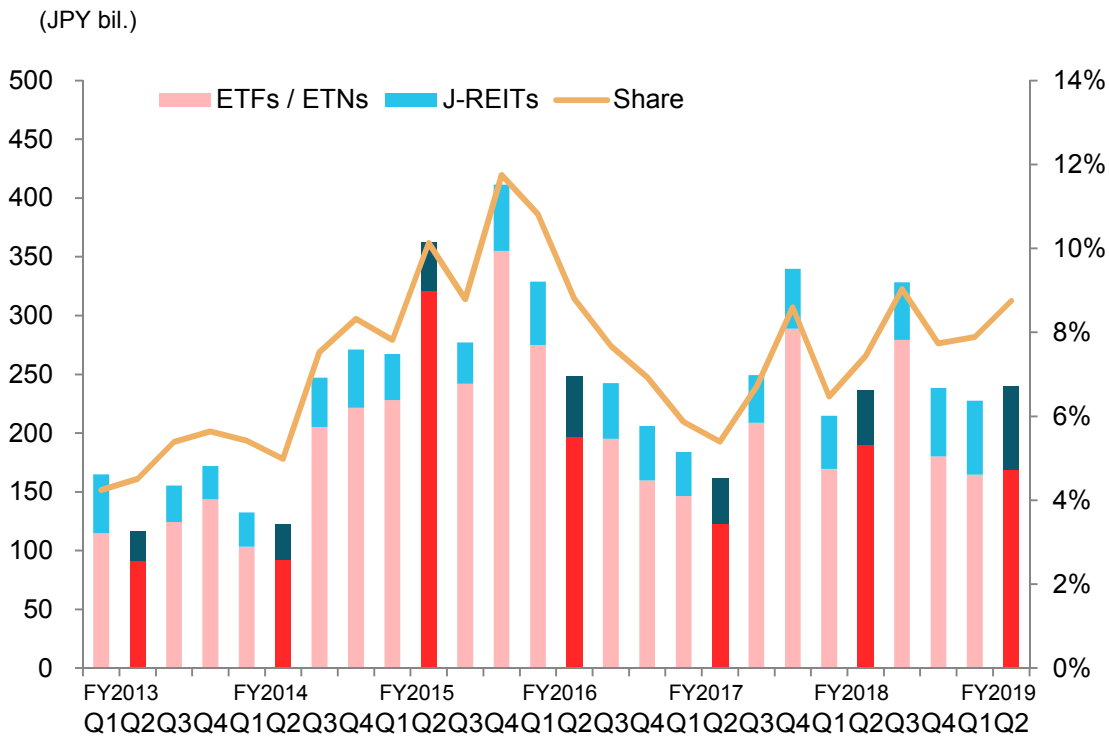
ETF / ETN and REIT Trends

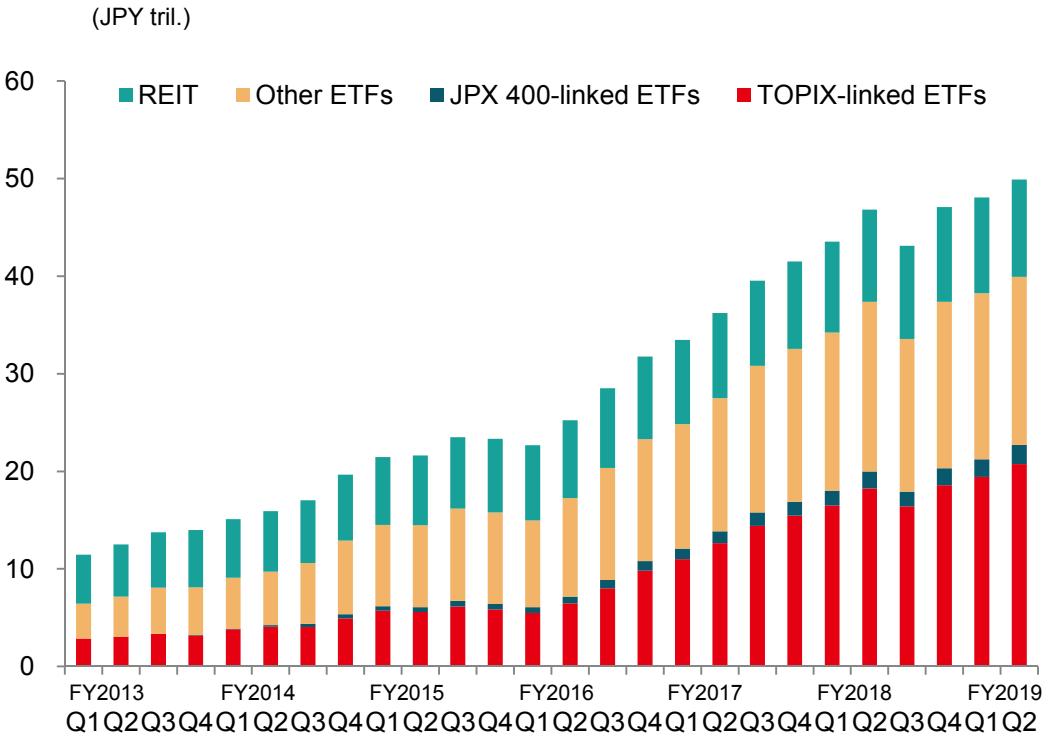
- Average daily trading value of ETFs/ETNs and REITs increased 1.3% year on year due mainly to an increase in trading of REITs.
- ETF AUM continues on an upward trend.

➢ **ADV of ETFs/ETNs and REITs**



* Share indicates the percentage of trading value of ETFs, ETNs, and REITs out of overall cash equities trading value.

➢ **ETF / REIT AUM**



* Excludes foreign ETFs and REITs, as well as certain ETFs with different creation structures.

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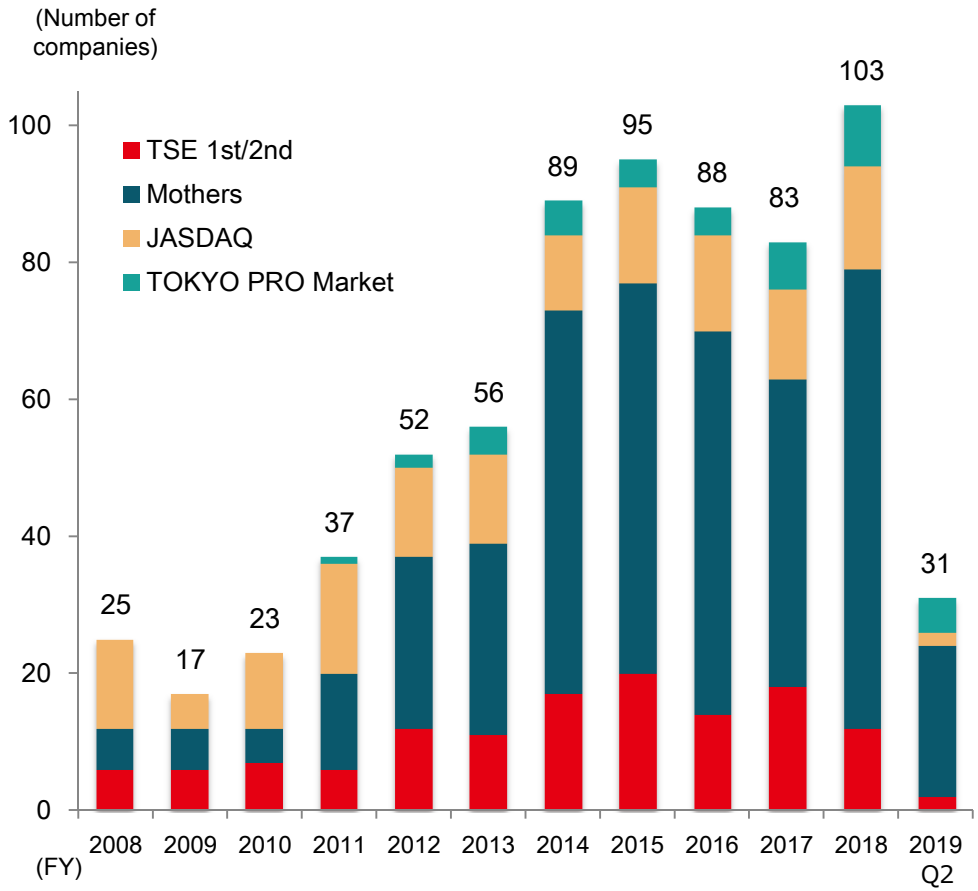
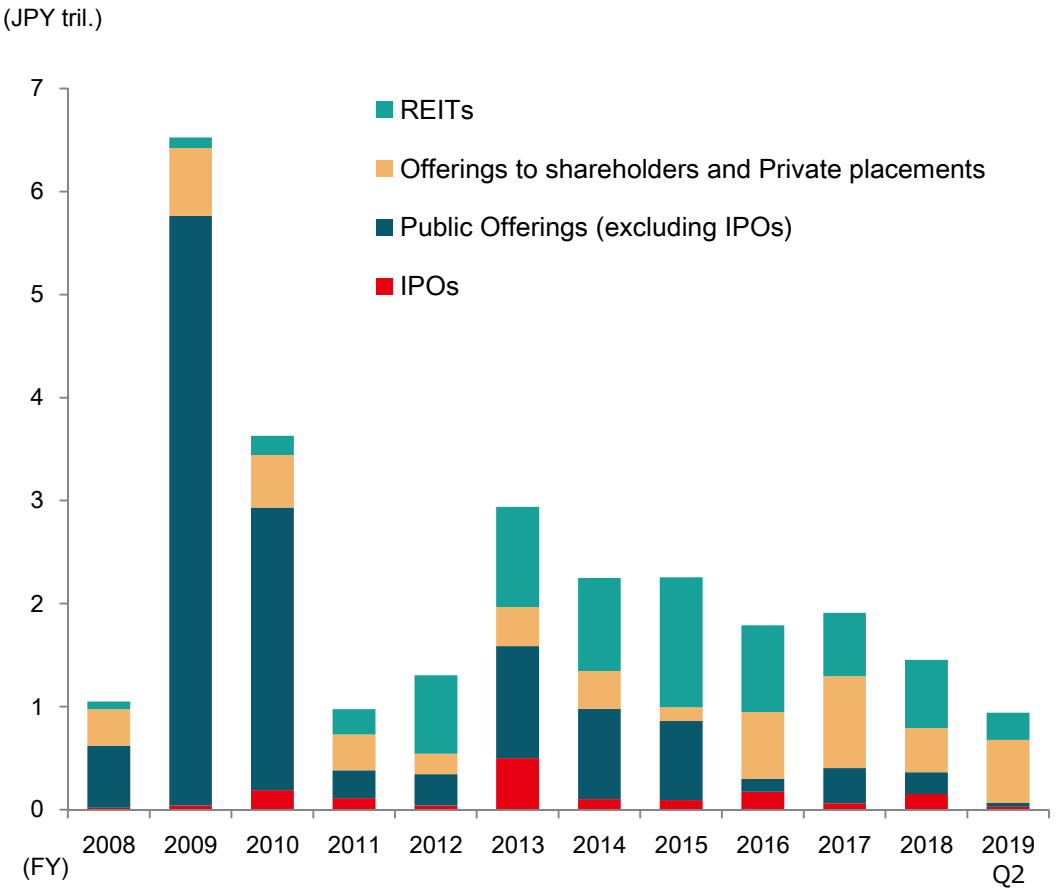
IPO / PO Trends

- The number of IPOs at TSE was 31, down from 49 in the same period a year earlier.

➢ **IPOs at TSE**



➢ **Financing by Listed Companies and REITs**



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Major Products Data

➢ Trading Volume/Value

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	y/y
Trading Value of Cash Equities (JPY mil.)							
TSE 1st/2nd Section *1	182,376,015	173,240,502	195,305,096	154,509,689	147,178,363	147,629,790	(14.8%)
Mothers *1	5,811,987	5,887,333	5,640,875	7,572,736	6,963,647	4,982,179	(15.4%)
JASDAQ *1	4,218,451	3,243,736	4,059,871	2,814,694	2,563,385	2,275,480	(29.9%)
ETFs/ETNs and REITs etc. *2	13,318,008	14,662,962	20,354,508	13,833,484	13,416,948	14,851,259	+ 1.3%
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)							
TOPIX Futures	5,777,114	6,020,798	7,295,570	6,257,036	6,279,228	6,991,769	+ 16.1%
Total Nikkei 225 Futures/mini *3	10,465,860	11,406,268	16,198,484	11,960,671	11,726,944	11,820,069	+ 3.6%
Nikkei 225 Futures	5,250,091	5,567,199	7,658,827	5,909,045	5,642,599	5,709,714	+ 2.6%
Nikkei 225 mini	52,157,697	58,390,696	85,396,578	60,516,269	60,843,454	61,103,555	+ 4.6%
Nikkei 225 Options (JPY mil.) *4	1,280,840	1,034,822	2,000,571	1,305,059	1,265,336	1,173,048	+ 13.4%
10-year JGB Futures	2,333,374	2,632,417	2,920,196	2,383,133	2,469,865	2,510,187	(4.6%)

➢ Average Daily Trading Volume/Value

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	y/y
Trading Value of Cash Equities (JPY mil.) *5	3,318,138	3,178,002	3,634,845	3,081,562	2,883,430	2,737,763	(13.9%)
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)							
TOPIX Futures	93,179	97,110	117,670	107,880	106,428	112,770	+ 16.1%
Total Nikkei 225 Futures/mini *3	168,804	183,972	261,266	206,218	198,762	190,646	+ 3.6%
Nikkei 225 Futures	84,679	89,794	123,529	101,880	95,637	92,092	+ 2.6%
Nikkei 225 mini	841,253	941,785	1,377,364	1,043,384	1,031,245	985,541	+ 4.6%
Nikkei 225 Options (JPY mil.) *4	20,659	16,691	32,267	22,501	21,446	18,920	+ 13.4%
10-year JGB Futures	37,635	42,458	47,100	41,089	41,862	40,487	(4.6%)

*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.

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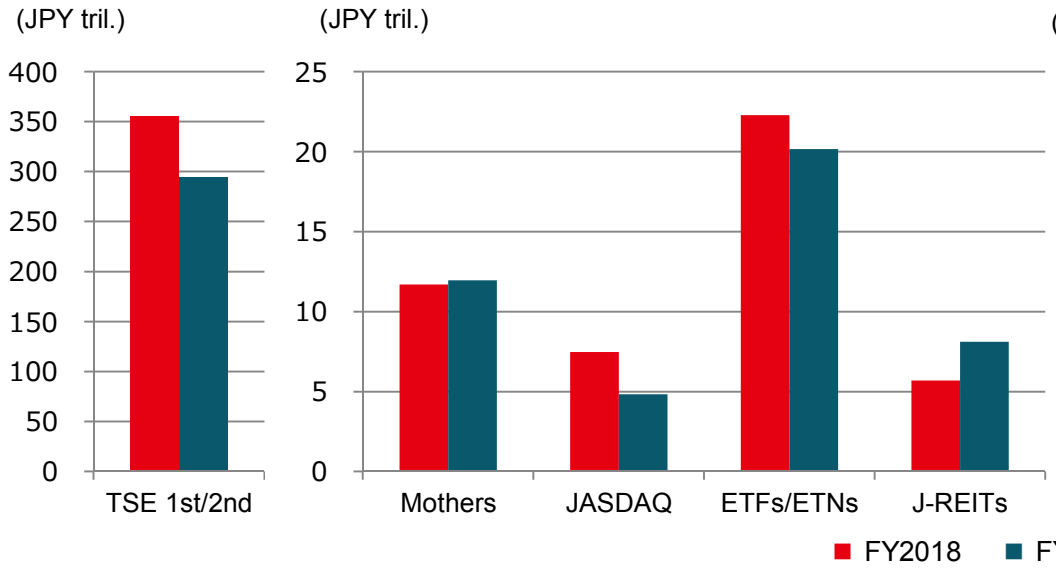
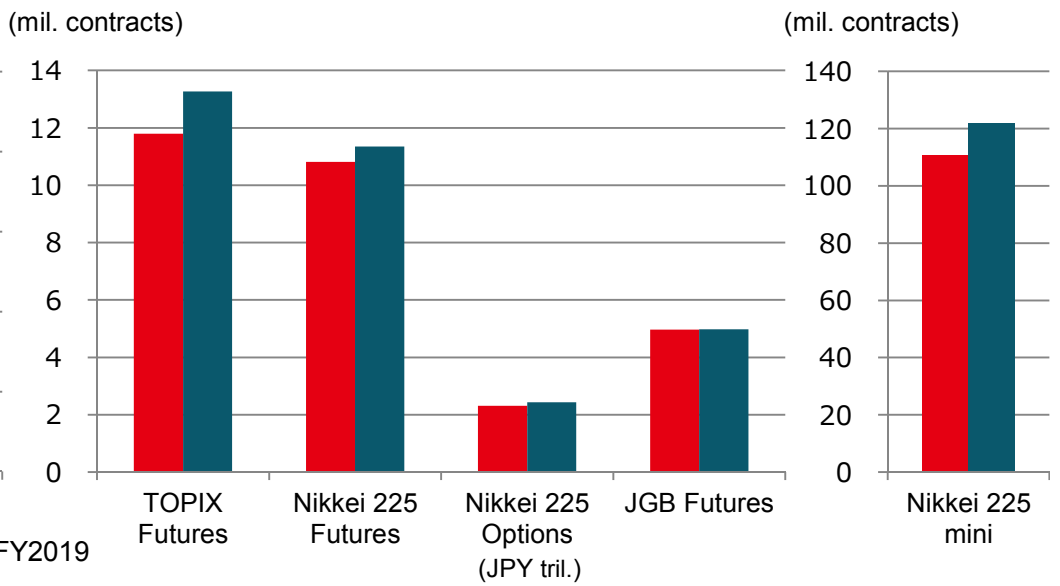
Major Products Data

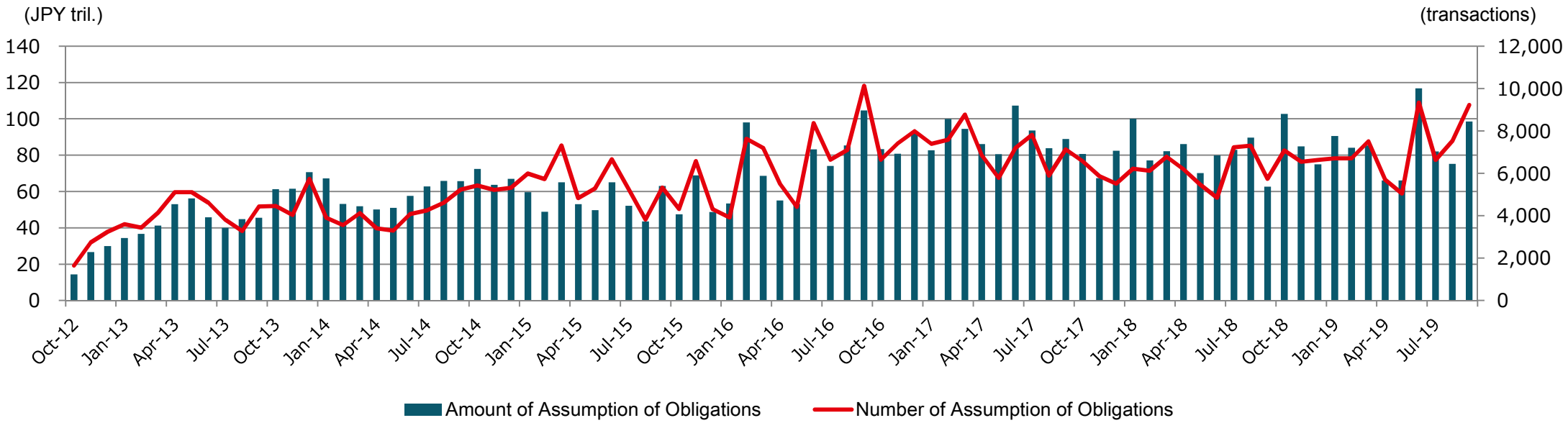
➢ Trading Value for Cash Equities in Q2



➢ Trading Volume for Derivatives in Q2



➢ Number and Amount of Assumption of Obligations (Interest Rate Swaps)



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Number of Listed Companies, ETFs, ETNs, and REITs

➢ **Number of listed companies (issues)**

(Companies/Issues)

	Number of listed companies (issues)		
	As of March 31, 2019	As of September 30, 2019	
			Change
TSE 1st/2nd Section	2,634	2,636	2
Mothers	283	297	14
JASDAQ	715	709	(6)
TOKYO PRO Market	31	32	1
Total	3,663	3,674	11
ETFs / ETNs	251	259	8
REITs	63	63	0

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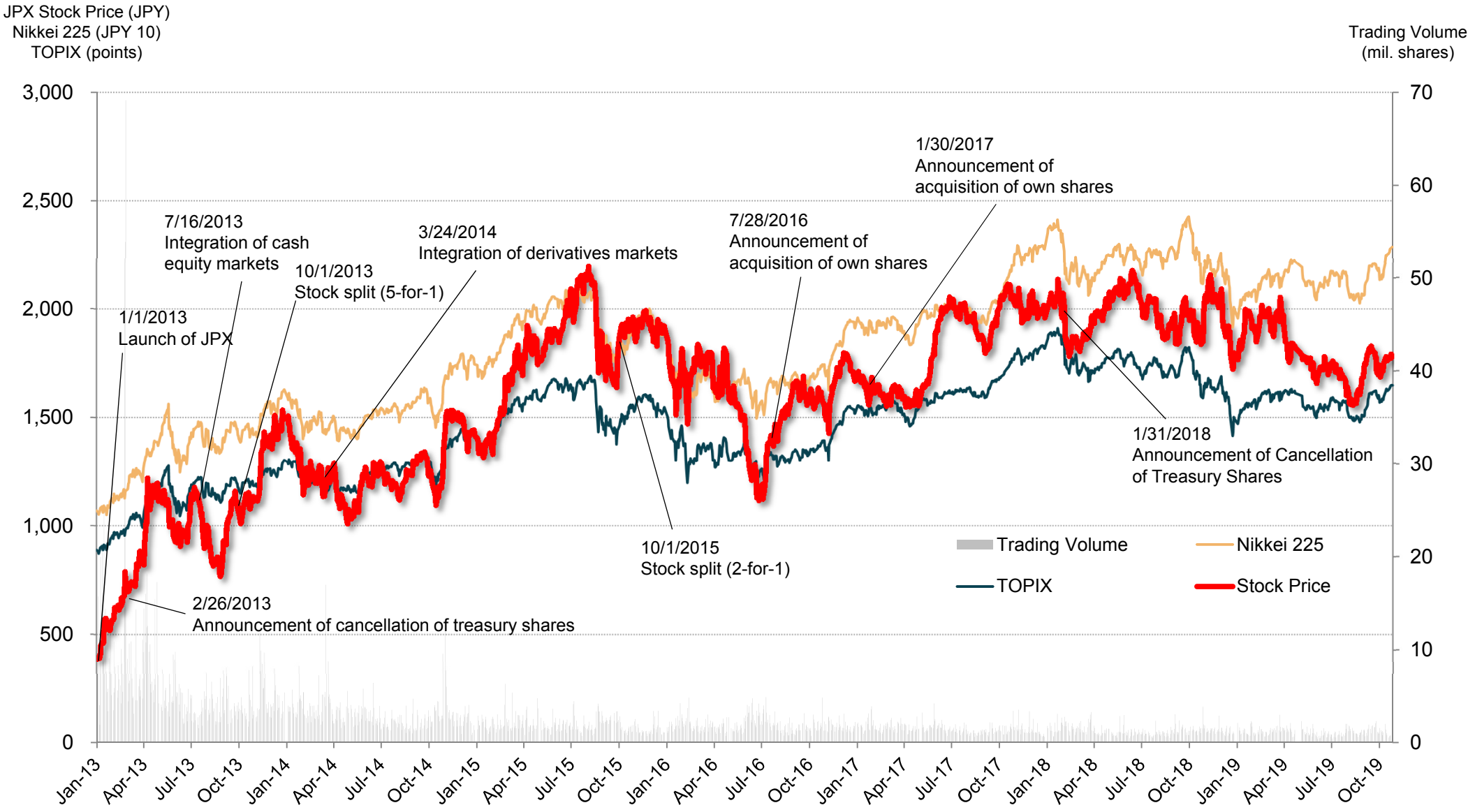
JPX Stock Price



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.

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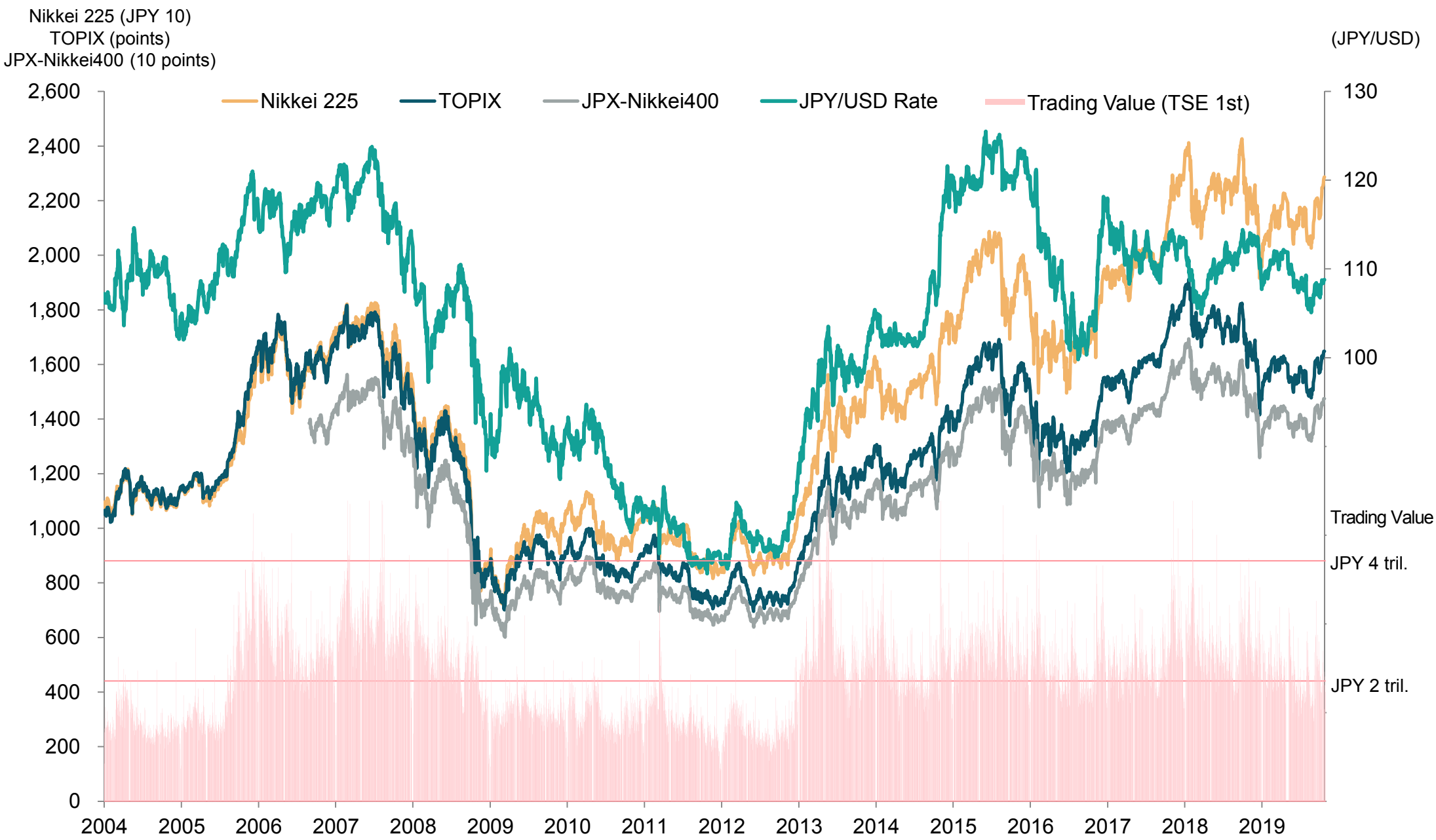
Japanese Stock Market



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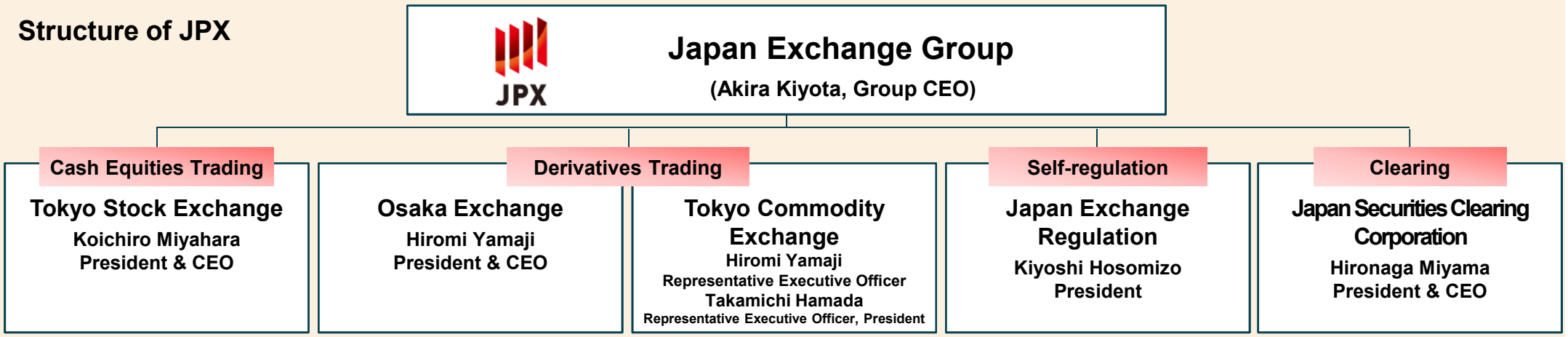
Outline of JPX Stock

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	536,351,448
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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