Corporate Governance

[TRANSLATION]
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Japan Exchange Group, Inc.
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https://www.jpx.co.jp/english

The state of corporate governance of Japan Exchange Group, Inc. ("the Company" or "JPX") is described below.

I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Fundamental Views

The corporate philosophy of the Company is described below. The Company aims to fulfill its social mission by serving as a core market infrastructure in Japan.

<Corporate Philosophy>
- We contribute to the realization of an affluent society by promoting sustainable development of the market through ensuring our public nature and credibility, constructing the foundation of the market which is highly convenient, efficient and transparent, and providing creative and attractive services.
- Our efforts bring rewards in the form of profits resulting from the increased support and confidence from investors and other market users.

In order to conduct management in line with its corporate philosophy, the Company is aware of the importance of having its stakeholders understand its corporate philosophy and corporate activities. Therefore, the Company established fundamental views on corporate governance from the following four perspectives to help stakeholders understand the Company's business and raise confidence in the Company.

(1) Corporate philosophy and social mission
JPX Group operates markets that are a public asset and fulfills its social mission by pursuing the sustainable development of its markets.

(2) Market operations
JPX Group operates markets with the view that garnering support for and fostering confidence in the markets it establishes are in the common interest of all investors and market users, and that maintaining and enhancing such support and confidence will build the foundations for sustainable development of its markets.

(3) Enhancing corporate value
In pursuing the sustainable development of its markets, the Company must continue to accommodate the diverse needs of shareholders and other stakeholders, and through this the Company will enhance its corporate value over the medium to long term.

(4) Effective corporate governance
The Company strives to constantly improve its corporate governance system to further facilitate effective and useful systems, so as to support the sustainable development of its markets.

Based on the fundamental views on corporate governance described above, in light of the intent of the individual principles of Japan's Corporate Governance Code, the Company is committed to appropriately developing its corporate governance system such as by developing a highly effective system of checks achieved through tension and harmony between the management and independent outside directors while striving to facilitate the smooth sharing of information and coordination between them.

[Reasons for Non-compliance with Principles of Japan's Corporate Governance Code]

The Company implements each principle of Japan's Corporate Governance Code.

[Disclosure Based on Principles of Japan's Corporate Governance Code]

[Principle 1.4 Cross-Shareholdings]

<Policy regarding cross-shareholdings and results of verifying the appropriateness of cross-shareholdings>

If a stronger business relationship or other collaborative initiative can be expected to increase the corporate value of JPX Group over the medium to long term, JPX Group might hold shares issued by other companies.

Every year, with respect to shares issued by listed companies, the board of directors will evaluate individual cross-shareholdings to justify the reason for continuing to maintain such holdings for increasing corporate value. If such continuation is deemed unnecessary, JPX Group will reduce such holdings.

Based on this policy and after examining the necessity of continuing to hold shares of Singapore Exchange Limited (SGX), the Company reached a conclusion that holding said shares is not an absolute necessity for continuing the cooperative relationship with SGX. As such, the Company decided on March 30, 2018 to sell the said shares in phases over approximately three years.

[For more information on sequential sales of the shares the Company owns]
https://www.jpx.co.jp/english/corporate/news/news-releases/0010/b5b4pj0000022zaq-att/b5b4pj0000022zbm.pdf

Currently, with respect to shares issued by listed companies, JPX does not own shares that fall under cross-shareholdings other than the shares of SGX.

<Standards on exercise of voting rights>

In exercising its voting rights, the Company takes into comprehensive consideration, among other matters, whether the agenda of general shareholders meetings align with the policy of cross-shareholdings and whether this agenda contributes to the enhancement of corporate value or the sustainable growth of each investee company. As mentioned above, the Company decided to sell the shares of SGX after verifying the appropriateness of holding said shares and will apply the same aforementioned considerations in exercising its voting rights pertaining to said shares until the completion of their sales.

[Principle 1.7 Related Party Transactions]

To ensure the appropriateness of transactions with directors and executive officers, with regard to competitive transactions or transactions involving a conflict of interest with directors and executive officers, important facts will be communicated in advance to the board of directors, in accordance with the Companies Act and the Company's board of directors rules, before the Company obtains the approval of the board of directors.

In the case of a related party transaction between the Company or its subsidiary and a major shareholder (except where the major shareholder is a trading participant, listed company, or other market user, and payment is to be made to the Company's subsidiary based on the terms stipulated in advance by the subsidiary), the board of directors or another appropriate body must discuss the rationality and appropriateness of the terms and conditions in consideration of the materiality of the amount, and then give its approval.

With regard to a transaction that is approved by the board of directors, progress will be regularly reported to the board of directors, and it will verify that the transaction does not harm the interests of the Company or the common interest of its shareholders.

In addition, the Company will regularly check for transactions between related parties and the Company.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company entrusts management of corporate pension funds to asset managers that have announced that they will comply with Japan's Stewardship Code. As such, the Company acknowledges that its responsibility as an asset owner is to appropriately monitor the activities of such asset managers. Therefore, the Company has assigned dedicated persons for appropriately monitoring such asset managers. Moreover, with the aim of improving the expertise of such dedicated persons, the Company ensures such persons take training courses offered by external entities, whereby the persons can acquire the knowledge necessary for fulfilling the role of an asset owner.

In addition, conflicts of interest that could arise between the corporate pension fund beneficiaries and the Company are also appropriately managed in monitoring the asset managers.

[Principle 3.1 Full Disclosure]

(i) Company objectives (e.g., corporate philosophy), business strategies, and business plans

<Company objectives (e.g., corporate philosophy)>

As described above in "1. Fundamental Views" of "I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information."

<Business strategies and business plans>

The Company announced its 3rd Medium-Term Management Plan for FY2019 to FY2021 on March 28, 2019. The plan was updated on March 31, 2020.

[Medium-Term Management Plan]

https://www.jpx.co.jp/english/corporate/investor-relations/management/mid-business-plan/index.html

In its 3rd Medium-Term Management Plan, the Company set forth a fundamental policy direction on its capital policy, namely of supporting the sustainable development and evolution of the market through constant investment while keeping a balance between shareholder returns and fiscal robustness for stable management of the market. Under this policy, the Company aims to, regardless of market conditions, maintain 10% ROE over the medium to long term exceeding capital cost, as well as enhance its corporate value over the medium to long term and provide appropriate shareholder returns.

(ii) Fundamental views and policies on corporate governance

As described above in "1. Fundamental Views" of "I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information."

(iii) Policies and procedures for determination of remuneration for senior management and directors by the board of directors

Please refer to "Remuneration for Directors/Executive Officers" under section II. 1. of this report.

(iv) Policies and procedures for appointment and removal of senior management and nomination of director and executive officer candidates by the board of directors

<Procedures for appointment and removal of directors and executive officers>

The Company is a company with three committees (nomination, audit and compensation). It has established a statutory Nomination Committee for the purpose of ensuring transparency, timeliness, and objectivity concerning appointment and removal of directors and executive officers.

The majority of the members of the Nomination Committee are independent outside directors, and the committee is chaired by an independent outside director. Appointment of candidates for and removal of directors, representative executive officers, representatives of subsidiaries, etc. are thoroughly deliberated by the committee; the appointment and removal of directors are put forth for approval at general shareholders meetings; and, the appointment and removal of executive officers are determined at board of directors meetings.

<Policy on appointment of candidates for and removal of directors>

In considering appointment of director candidates, the Nomination Committee sets forth the following three points as its basic policy. Based on such policy, the appointment of director candidates is put forth for approval at general shareholders meetings.

(1) Have professional knowledge of the Company's business, abundant experience as a corporate manager, or have expertise in law, accounting, or finance

(2) Have the character and insight to make fair judgment regarding the Company's business as a director

(3) Do not have any health issues that will hinder the performance of duties as a director.

Likewise, if a director no longer satisfies the above points or if a director has committed an improper act, material breach of laws and regulations or the articles of incorporation, etc., the Company will consider putting forth a proposal to remove such director for approval at a general shareholders meeting.

In addition, the Company has in place a structure where the independent outside directors are from a wide variety of fields (directors, etc. of other listed companies, legal professionals, certified public accountants, academics, former government officials, and others) and attend board of directors meetings and other important meetings to contribute their expert knowledge and experience and participate in discussions, whereby the

Company aims for the realization of the corporate philosophy.

The independence standards for the Company's independent outside directors are described in the Notice of the Annual General Shareholders Meeting.

[Notices of Annual General Shareholders Meetings]
https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

<Policy on appointment and removal of executive officers>

In considering appointment of candidates for executive officers, the Nomination Committee sets forth the following four points as its basic policy. Based on such policy, executive officer candidates are proposed for appointment to the board of directors, and the board of directors then appoints executive officers based on said proposal.

(1) Have professional knowledge of the Company's operations and excellent ability to make business judgments and execute business operations
(2) Have outstanding ability for leadership, decision-making, foresight, and planning
(3) Have the character and insight that are appropriate as an executive officer
(4) Do not have any health issues that will hinder the performance of duties as an executive officer

Especially, for the executive officer who serves as the Representative Executive Officer and Group CEO, the board of directors appoints an individual who best matches the following description.

(1) A person who respects the Company's corporate philosophy and is able to perform management at a high level in accordance with the corporate philosophy
(2) A person who has the character and insight and is capable of taking appropriate action, to garner broad support and confidence from those who are related to the markets operated by JPX Group
(3) A person who has a global perspective and in-depth knowledge about Japanese society, the Japanese economy and the markets operated by JPX Group, and is able to demonstrate leadership regarding market users, market rules, and other matters.

Likewise, if an executive officer or the Representative Executive Officer, Group CEO of the Company no longer satisfies the above points or if such officer has committed an improper act, material breach of laws and regulations or the articles of incorporation, etc., the Company will consider putting forth a proposal to remove such executive officer for approval at a board of directors meeting.

In addition, the Nomination Committee, in conjunction with the board of directors, will continually examine and further improve the appropriateness of successor planning, including for the Representative Executive Officer and Group CEO of the Company.

(v) Explanations with respect to appointment and removal of senior management and appointment and nomination of individual director and executive officer candidates based on (iv) above by the board of directors

The reasons for nominating nine outside directors by the Nomination Committee, based on the above nomination policy, are described later in [Relationship with the Company (2)] under [Matters Related to Outside Directors] in "1. Organizational Composition and Operations" of "II Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight".

Individual reasons for nominating the Company's directors other than outside directors and those for appointing the Company's executive officers are as stated in the "Notice of the Annual General Shareholders Meeting".

[Notices of Annual General Shareholders Meetings]
https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

[Supplementary Principle 4.1.1 Decision on the Scope of Matters Delegated to the Management and Disclosure of Summary]

The Company is a company with three committees (nomination, audit and compensation). As such, the Company's board of directors makes decisions primarily on matters left solely to the board of directors by laws and regulations, such as the fundamental management policy and the appointment of executive officers, for the purpose of ensuring swift and flexible decision making and strengthening oversight of persons who execute business. Decisions on business execution other than those above are delegated to the Representative Executive

Officer and Group CEO and other executive officers.

[Principle 4.8 Effective Use of Independent Outside Directors]

Of the 13 directors currently serving the Company, nine are outside directors. All of the nine outside directors are deemed to have satisfied the independence standards for independent outside directors stipulated by the Company, and have been filed as independent directors with Tokyo Stock Exchange, Inc.

In addition, we are improving the effectiveness of the Board of Directors' oversight function through creating an environment designed for substantial discussion. For example, the position of Chair of the Board is held by an independent outside director, who, when deciding the Board's agenda, picks up necessary items from an oversight perspective, as well as ensuring enough time for the Board to deliberate after encouraging adequate information sharing from the business execution side to the oversight side.

[Supplementary Principle 4.8.1 Information Exchange and Shared Awareness among Independent Outside Directors]

[Supplementary Principle 4.8.2 Establishment of Frameworks for Communication and Cooperation by Independent Outside Directors]

The Company adopts a structure of a company with three committees (nomination, audit and compensation) and appoints nine independent outside directors to strengthen management oversight and achieve efficient business operations.

The Company's independent outside directors actively share opinions at board of directors meetings and other meetings, and the Company is confident that there is effective corporate governance.

In March 2016, the Company established an Independent Outside Directors Committee as a corporate organ composed exclusively of its part-time independent outside directors to allow them to exchange views and form consensus among themselves in order to better perform management oversight and further facilitate active discussions at board of directors meetings. The committee holds at least two meetings in a fiscal year.

The Independent Outside Directors Committee appoints its chairperson, who convenes committee meetings and conducts meeting proceedings. The chairperson requests the management of the Company to attend committee meetings on an as-needed basis and feeds what was discussed or deliberated at committee meetings back to the chairperson of the board of directors as well as CEO and other executive officers, thereby promoting smooth communication among directors and executive officers.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The independence standards and qualification for independent outside directors of the Company are described in the Notice of the Annual General Shareholders Meeting.

[Notices of Annual General Shareholders Meetings]
https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

[Supplementary Principle 4.11.1 Disclosure of View on Balance of Knowledge, etc., Diversity, and Scale of the Board of Directors as a Whole and a Policy and Procedures for Appointment of Directors]

The Company's basic policy is to appoint directors who have expert knowledge and experience in a wide variety of areas so as to reflect opinions from diverse stakeholders in business management and market operations.

The size of the board of directors is limited to a maximum of 15 members so that it can fully exercise management oversight and ensure appropriate and efficient business operations.

Presently, the Company's board of directors is comprised of 13 members, including two female directors. Of the 13 directors, nine are independent outside directors.

The breakdown of the nine independent outside directors is indicated in the Notice of the Annual General Shareholders Meeting. Each of these directors has considerable experience and insight on their respective fields and contributes to a structure that allows for a multifaceted external perspective to be readily incorporated into the Company's management.

[Notices of Annual General Shareholders Meetings]
https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

[Supplementary Principle 4.11.2 Concurrent Positions of Independent Outside Directors]

The significant concurrent positions of independent outside directors are described in the Notice of the Annual General Shareholders Meeting.

[Notices of Annual General Shareholders Meetings]

https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

[Supplementary Principle 4.11.3 Disclosure of Summary of Analysis and Evaluation Results Concerning Effectiveness of Board of Directors]

<Evaluation process>

In order to analyze and evaluate the effectiveness of the board of directors, the Nomination Committee, Compensation Committee, and Audit Committee meetings held (hereinafter collectively referred to as "board of directors meetings, etc.") in FY2019, the Company's board of directors conducted a survey involving all directors. After reviewing the contents and evaluations in the survey and interviews, the management, etc. discussed improvement measures. The Independent Outside Directors Committee, the corporate organ composed exclusively of part-time independent outside directors, then conducted a primary evaluation of those improvement measures. In said primary evaluation, the committee mainly discussed the measures that needed further consideration.

The committee also reviewed progress on the improvement measures in response to the evaluation concerning the effectiveness of board of directors meetings, etc. in FY2018.

The chairperson of the committee directly presented the results of the primary evaluation to the chairperson of the board of directors and the Representative Executive Officer and Group CEO. In light of said results, the management, etc. reconsidered the improvement measures.

Thereafter, the board of directors reviewed the contents of the evaluation and the revised improvement measures presented by the management, etc. and finalized the matters related to said evaluation.

<Contents of the survey>

The survey primarily focused on the following matters (* indicates same perspectives applied to surveys on the Nomination Committee, Compensation Committee, and Audit Committee). This time, the survey also gathered opinion on how board of directors meetings, etc. should be held and managed during and post Covid-19.

- Composition of directors*;
- Preparations and support system for attending board of directors meetings*;
- Effectiveness of discussions at board of directors meetings*;
- Communication between directors and executive officers;
- Training for directors;
- Risk management and compliance systems;
- Adequacy of discussions concerning management strategies and related matters; and
- Appropriateness of oversight on conflicts of interest

<Summary of analysis, evaluation results, and improvement measures pertaining to effectiveness>

1. Progress on Improvement Measures in Response to Evaluation Results of Effectiveness for FY2018

The Independent Outside Directors Committee held a meeting in July 2020 to review improvement measures in response to the evaluation concerning the effectiveness of board of directors meetings, etc. in FY2018 and found that the matters needing a response were mostly responded to adequately despite some activity being suspended due to Covid-19.

(For the evaluation results for FY2018, please refer to "Corporate Governance Report" updated on June 17, 2020.)

[Corporate Governance Report (updated on June 17, 2020)]

https://www2.tse.or.jp/disc/86970/140120200617446355.pdf

2. Evaluation Results of Effectiveness for FY2019 and Improvement Measures in Response thereto

The FY2019 survey's results showed that the effectiveness of board of directors meetings, etc. maintained the high standards of the previous year. On the other hand, the following comments were made regarding board of directors meetings, etc.:

(1) The board of directors

- If possible, it is desirable that discussions of the board of directors should take place in-person, even under Covid-19.
- Even under Covid-19, opportunities should be ensured for dialogue with internal executive officers and middle management.
- The holding of on-line training programs is requested.
- While agenda setting is appropriate, how about having a deeper discussion on current important

management issues?

(2) Statutory committees
- If possible, it is desirable that discussions of statutory committees should be held in-person, even under Covid-19.
- When reporting on decisions made at each committee in the board of directors meeting, how about further enhancing the details of actual discussions and background information?

Based on these points, the Company's management, etc. have developed improvement measures and the board of directors has confirmed that the management, etc. will implement the measures appropriately.

[Supplementary Principle 4.14.2 Disclosure of Training Policy for Directors and Statutory Auditors]

<Training Policy for Outside Directors>

The Company's outside directors include directors, etc. of other listed companies, a legal professional, a certified public accountant, an academic, and former government officials. Each of them has sufficient knowledge about management and corporate governance due to their expert knowledge and experience.

Therefore, the Company focuses on helping outside directors deepen their understanding of the business of JPX Group. When outside directors assume office, the Company provides them with explanations regarding the business of JPX Group, related laws, regulations, and rules, and other necessary matters by using rule books, brochures, and other material. It also organizes visits to company offices and system centers.

After assuming office, the Company regularly provides reports on operations and financial status to outside directors. It also keeps outside directors up-to-date on developments by providing information regarding rule revisions and other matters where necessary so that they are able to fully perform their expected roles to the fullest.

In light of the increasing complexity of the exchange business, since 2015, the Company has been holding lunch workshops for directors to allow them to engage in discussions while keeping up-to-date on knowledge and information regarding the exchange business. In addition, since 2016, the Company launched training programs for JPX directors, etc. and has been providing directors with opportunities to share opinions with external experts on themes such as global financial trends, risk management, and fintech. From 2019, the Company has begun partly subsidizing outside directors' attendance fees for external seminars, if they wish to attend and the contents are necessary for the purposes of their role.

<Training Policy for Executive Officers>

To allow executive officers (shikkoyaku and shikkoyakuin) of JPX Group to keep up-to-date on expert knowledge necessary for business execution, the Company provides appropriate opportunities for them to participate in training programs for JPX directors, etc. that target outside directors.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company aims to continuously increase its corporate value through the development of fair, transparent, and convenient markets. The Company is aware that to achieve this, it is important to listen to the voices of the different stakeholders. The Company will thus provide opportunities for active dialogue with shareholders and investors to build a long-term relationship of trust.

Dialogue with shareholders and investors are overseen by the executive officer in charge of IR. Actual meetings will take place with a director, executive officer, or the department in charge of IR, depending on the purpose of the meeting.

To raise the effectiveness of dialogue, the department in charge of IR will ensure that it coordinates closely to share information with other corporate divisions, including finance, corporate strategy, and general administration, as well as other divisions of JPX Group, including financial instruments exchange operators that are subsidiaries of the Company.

To facilitate constructive dialogue, the Company will undertake the following:
- Issue integrated reports to deepen the understanding of the Company over the medium- to long-term horizon;
- Hold briefing sessions, etc., for individual investors;
- Hold briefing sessions on financial results for institutional investors and visit institutional investors;
- Provide materials on financial results and briefing sessions, etc., on the website; and
- Provide information on the market as business-related statistics on the website or by other means.

Opinions and other feedback obtained through dialogue will be reported regularly to the management and the board of directors so that it can serve as reference in business judgment.

Company information will be disclosed in accordance with the separately stipulated "Disclosure Policy," in a speedy, accurate, and fair manner. In particular, the Company maintains a strong awareness that acts in violation of the regulations on insider trading would result in significant damage to the credibility of the financial instruments market, and it ensures that it will appropriately manage information to prevent information leakage and other similar incidents.

[Disclosure Policy]

https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/disclosure-policy/index.html

2. Capital Structure

Percentage of Foreign Shareholders	At least 30%

[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,784,300	6.11
Japan Trustee Services Bank, Ltd. (Trust Account)	23,489,500	4.38
SMBC Nikko Securities Inc.	19,228,400	3.59
Japan Trustee Services Bank, Ltd. (Trust Account 7)	14,572,600	2.72
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	14,424,513	2.69
THE BANK OF NEW YORK 134104	13,157,100	2.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,527,700	2.15
JP MORGAN CHASE BANK 385151	9,431,300	1.76
Mizuho Securities Co., Ltd.	7,687,200	1.43
MUFG Bank, Ltd.	7,557,000	1.41

Controlling Shareholder (except for Parent Company)	None

Parent Company	None

Supplementary Explanation

The following corporations submitted the Report of Possession of Large Volume, etc. and JPX was notified that these corporations held JPX shares as of the day on which the reporting obligation arose as below. However, JPX cannot confirm the number of shares that they actually held as of the end of JPX's fiscal year. As such, they are not included in the above list of major shareholders.

In the case where the Report of Possession of Large Volume, etc. was submitted more than once, the outline of the latest report is described. In the case where the report pertains to shares owned by a joint holder, the number and ratio of share certificates, etc. held include such shares.

- BAILLIE GIFFORD & CO
  Date of Submission: August 22, 2019
  Date of Reporting Obligation: August 15, 2019
  No. of Share Certificates, etc. Held: 35,391,400 shares
  Ratio of Share Certificates, etc. Held: 6.60%

- Mizuho Bank, Ltd.
  Date of Submission: October 23, 2019
  Date of Reporting Obligation: October 15, 2019
  No. of Share Certificates, etc. Held: 29,325,700 shares
  Ratio of Share Certificates, etc. Held: 5.47%

3. Corporate Attributes

Listed Exchange and Market Division	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Sector Classification	Other Financing Business
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	At least 1,000
Revenue (consolidated) for the Previous Fiscal Year	JPY 100 billion or more, but less than JPY 1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Special Circumstances which may have Material Impact on Corporate Governance

JPX is a "Financial Instruments Exchange Holding Company" defined under the Financial Instruments and Exchange Act and is authorized by the Prime Minister to conduct appropriate business administration, etc. of financial instruments exchanges and others.

JPX subsidiary financial instruments exchanges, commodity exchange, self-regulatory organization and clearing organizations are licensed to conduct their respective businesses under the Financial Instruments Exchange Act, Commodity Derivatives Act and other related laws and regulations, and obey certain regulations such as in receiving approval for amendments to articles of incorporation.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Organization Form	Company with three committees (nomination, audit and compensation)

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside director
Number of Directors	13

[Matters Related to Outside Directors]

Number of Outside Directors	9
Number of Independent Directors Designated from among Outside Directors	9

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	J	k
Tsuda Hiroki	Other											
Christina Ahmadjian	Academic											
Endo Nobuhiro	From another company								△			
Ogita Hitoshi	From another company								△			
Kubori Hideaki	Attorney-at-law								○			
Kohda Main	Other											
Kobayashi Eizo	From another company								△			

Mori Kimitaka	CPA											
Yoneda Tsuyoshi	Other											

* Categories for "Relationship with the Company"

* "○" indicates that the director currently falls under the category, or did so recently, and "△" indicates that the director fell under the category in the past.

* "●" indicates that a close relation falls under the category, or did so recently, and "▲" indicates that a close relation fell under the category in the past.

a. Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor
g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)
h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Relationship with the Company (2)

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Tsuda Hiroki				Yes		Mr. Tsuda has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his considerable experience and insight on financial policy and systems which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Christina Ahmadjian		Yes	Yes	Yes	Ms. Christina Ahmadjian is a professor at the Graduate School of Business Administration of Hitotsubashi University. She does not fall under any item in the "Relationship with the Company" in the above "Relationship with the Company (1)". As a reference, there exists a transaction valued under JPY 1 million between the Company and Hitotsubashi University. However, since the amount of the transaction is very small, the Company judges that her independence is unlikely to be affected.	Ms. Ahmadjian has been appointed as an outside director due to her capacity to identify with the Company's corporate philosophy and social mission as well as her insight on corporate strategy from a technical perspective as an academic which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed her as an independent director.
Endo Nobuhiro	Yes			Yes	Mr. Endo Nobuhiro is Chairman of the Board (non-executive) at NEC Corporation and its corporate group pays JPX Group approximately JPY 17 million (mainly listing fees), while JPX Group pays the corporate group approximately JPY 187 million (mainly for system-related expenses). However, since the value of the transactions comprises less than 1% of the consolidated sales, etc. of the corporate group and JPX Group, the Company judges that his independence is unlikely to be affected.	Mr. Endo has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his considerable experience and insight on business management and system networks, which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.
Ogita Hitoshi	Yes			Yes	Mr. Ogita Hitoshi is Senior Adviser at Asahi Group Holdings, Ltd.,	Mr. Ogita has been appointed as an outside director due to his

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					and its corporate group pays JPX Group approximately JPY 5 million (mainly listing fees). However, since the value of the transaction comprises less than 1% of the consolidated sales, etc. of JPX Group, the Company judges that his independence is unlikely to be affected.	capacity to identify with the Company's corporate philosophy and social mission as well as his considerable experience and insight on business management, which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.
Kubori Hideaki	Yes			Yes	Mr. Kubori Hideaki is representative at HIBIYA PARK LAW OFFICES. There exists a transaction valued at under JPY 1 million between the Company and Mr. Kubori and HIBIYA PARK LAW OFFICES. However, since the amount of the transaction is very small, the Company judges that his independence is unlikely to be affected.	Mr. Kubori has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his insight on corporate legal affairs from a technical perspective as a legal professional which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.
Kohda Main			Yes	Yes		Ms. Kohda Main has been appointed as an outside director due to her capacity to identify with the Company's corporate philosophy and social mission as well as her creativity and perception as a

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						novelist, insight in finance, and experience in serving as a university professor and a member of government advisory councils, all of which can be expected to be reflected in the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed her as an independent director.
Kobayashi Eizo	Yes	Yes		Yes	Mr. Kobayashi Eizo is Director Emeritus (non-executive) at ITOCHU Corporation, and its corporate group pays JPX Group approximately JPY 33 million (mainly listing fees), while JPX Group pays the corporate group approximately JPY 6 million (mainly for systems-related expenses). However, since the value of the transactions comprises less than 1% of the consolidated sales, etc. of the corporate group and JPX Group, the Company judges that his independence is unlikely to be affected.	Mr. Kobayashi has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his considerable experience and insight on business management, which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.
Mori Kimitaka		Yes	Yes	Yes		Mr. Mori has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his insight on corporate accounting in his capacity as an accounting

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						professional, which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.
Yoneda Tsuyoshi			Yes	Yes		Mr. Yoneda has been appointed as an outside director due to his capacity to identify with the Company's corporate philosophy and social mission as well as his considerable experience and insight from past appointments at law enforcement agencies which can be expected to be reflected into the management of JPX. In accordance with its "Independence Standards and Qualification for Independent Outside Directors", the Company has also appointed him as an independent director.

[Committees]
Committee's Composition and Chairperson's Attributes

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	Outside Director
Compensation Committee	4	0	1	3	Outside Director
Audit Committee	5	1	1	4	Outside Director

[Executive Officers (*Shikkoyaku*)]

Number of Executive Officers (*Shikkoyaku*)	9

Status of Concurrent Duties

Name	Representative Authority	Duties Concurrent with Directorship			Concurrent Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kiyota Akira	Yes	Yes	Yes	Yes	No
Yamaji Hiromi	Yes	Yes			No
Yokoyama Ryusuke	No	No			No
Isaka Yoshihiro	No	No			No
Hasegawa Isao	No	No			No
Futagi Satoshi	No	No			No
Ishizaki Takashi	No	No			No
Shizuka Masaki	No	Yes			No
Tabata Atsushi	No	No			No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed

Matters Related to the Independence of Said Directors and/or Staff from Executive Officers (*Shikkoyaku*)

JPX has an Audit Committee Office to provide assistance to the duties of the Audit Committee (the office is comprised of an office director and five other employees, who serve concurrently in the auditor offices of subsidiaries as needed). Matters including the employment, transfer, evaluation, and discipline of Audit Committee Office staff require prior approval from an Audit Committee member designated by the Audit Committee, and care is taken to prevent any executive officer from undermining the independence of the office.

Cooperation among Audit Committee, Accounting Auditor, and Internal Audit Departments

Deloitte Touche Tohmatsu LLC is engaged as the external accounting auditor for JPX. The Audit Committee strives to allow audits to be conducted in an efficient manner by receiving audit reports, plans, and results from the accounting auditor and sharing information on a regular basis.

JPX has also established an Internal Auditing Office that reports directly to the CEO and COO as an internal auditing department. The Audit Committee cooperates flexibly by means such as receiving plans for and progress of internal audit on a regular basis, and requesting implementation of measures such as investigations where necessary.

[Independent Directors]

Number of Independent Directors	9

Matters Related to Independent Directors

All eligible directors are designated as independent directors.

[Incentives]

Implementation of Measures to Provide Incentives to Directors and/or Executive Officers (*Shikkoyaku*)	Introduction of performance-linked remuneration system, and so forth

Supplementary Explanation

Director, executive officer, and auditor remuneration is comprised of (1) basic salary, (2) yearly incentive (bonus), and (3) medium- to long-term incentive (stock and cash remuneration).

The yearly incentive (bonus) is awarded to executive officers in proportion with net income figures (for the purposes of this section, "net income" refers to net income attributable to owners of the parent company as announced in the consolidated statement of income). Net income is used as the metric as it is the source of investment aimed at corporate value creation and the capital for dividends to shareholders, and because it is suitable to base a yearly incentive (bonus) which is awarded every fiscal year on the net income reported in that fiscal year. Also, in order to evaluate the performance of each executive officer in each fiscal year, a bonus is awarded based on evaluation of individual performance.

The yearly incentive (bonus) will not be awarded if net income is less than JPY 10 billion for a fiscal year.

The medium- to long-term incentive (stock remuneration) is awarded to executive officers with the purpose of strengthening the relationship between financial results and remuneration, providing motivation for increasing corporate value over the medium to long term, and bringing the interests of executives closer in line with those of shareholders. The stock remuneration is comprised of a performance-linked amount and a fixed amount, using a share delivery trust framework. For the fixed amount, all executives are given points every year based on their position, etc., and are awarded stocks corresponding to those points three years later. For the performance-linked amount, all executives are given performance-linked base points every year. Three years later, stocks are awarded corresponding to the final tally of performance-linked points, which is calculated by multiplying the performance-linked base points with a co-efficient based on the degree of achievement of performance conditions. The above-mentioned co-efficient is set within a 0-150% range, based on the following conditions: 1) the Company's consolidated ROE exactly three years after the performance-linked base points were given, and 2) a comparative assessment of Total Shareholder Return and the performance of the JPX-Nikkei Index 400 (total return index) in the three years from the end of the fiscal year before the performance-linked base points were given. The Company’s consolidated ROE was chosen as a condition from the viewpoint of improving capital efficiency, while the Total Shareholder Return was chosen from the viewpoint of improving value for shareholders.

The medium- to long-term incentive (cash remuneration) is awarded to executive officers in line with the performance of consolidated ROE as set out in the 3rd Medium-Term Management Plan. This incentive is awarded on the condition that consolidated ROE is 10% or above for every fiscal year of the period of the 3rd Medium Term Management Plan (three (3) years), and will be maximized if either consolidated ROE for the final fiscal year of the Plan or the average consolidated ROE over the three years of the Plan is 15% or above. The amount of incentive for each executive officer will be decided based on the consolidated ROE figure and their respective positions.

Recipients of Stock Options	–

Supplementary Explanation

–

[Remuneration for Directors/Executive Officers]

Disclosure of Individual Directors' Remuneration	No individual disclosure
Disclosure of Individual Executive Officers' Remuneration	Individual disclosure on some executive officers

Supplementary Explanation

The amount of remuneration for directors, etc. paid in FY 2019 consisted of a total amount of JPY 181 million for 10 directors and a total amount of JPY 451 million for 6 executive officers. * Director remuneration was not paid to directors who concurrently served as executive officers. Remuneration for individual executive officers is disclosed as follows. - Mr. Kiyota Akira: Total amount of consolidated remuneration, etc. was JPY 172 million (out of which bonus was JPY 47 million and stock remuneration was JPY 65 million) - Mr. Miyahara Koichiro: Total amount of consolidated remuneration, etc. was JPY 101 million (out of which bonus was JPY 36 million and stock remuneration was JPY 17 million)* Disclosure provided only on persons for whom the total amount of consolidated remuneration, etc. was at least JPY 100 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

JPX is a "company with three committees (nomination, audit and compensation)", which includes the statutory Compensation Committee that aims to secure transparency and objectivity of remuneration of the Company's directors and executive officers.

The remuneration for directors and executive officers is determined by the Compensation Committee, a majority of whose members are independent outside directors and which is chaired by an independent outside director.

[Directors (excluding those who serve concurrently as executive officers)]
In light of their role and independency, the Company pays them only a basic salary.

[Executive officers]
The remuneration of executive officers is comprised of (1) basic salary, (2) yearly incentive (bonus), and (3) medium- to long-term incentive (stock and cash remuneration) so that it can effectively work as an incentive for sound management that contributes to not only short-term, but also medium- to long-term sustainable enhancement of corporate value.

(1) Basic salary
- Amount paid as consideration for everyday business execution and participation in management, in line with the executive officer's position and duties

(2) Yearly incentive (bonus)
- An amount in proportion with net income and an amount based on evaluation of individual performance.

(3) Medium- to long-term incentive (stock and cash remuneration)
a) Stock remuneration
- Comprised of a performance linked amount and a fixed amount, using a share delivery trust framework.
- For the fixed amount, all executives are given points every year based on their position, etc., and are awarded stocks corresponding to those points three years later.
- For the performance linked amount, all executives are given performance-linked base points every year. Three years later, stocks are awarded corresponding to the final tally of performance-linked points, which is calculated by multiplying the performance-linked base points with a co-efficient based on the degree of achievement of performance conditions.
- The above-mentioned co-efficient is set within a 0-150% range, based on the following conditions: 1) the Company's consolidated ROE exactly three years after the performance-linked base points were given, and 2) a comparative assessment of Total Shareholder Return and the performance of the JPX-Nikkei Index 400 (total return index) in the three years from the end of the fiscal year before the performance-linked base points were given.

b) Cash remuneration
- Awarded to executive officers in line with the performance of consolidated ROE as set out in the 3rd Medium-Term Management Plan

[Supporting System for Outside Directors)]

The General Administration Department assists outside directors. The General Administration Department provides prior explanation on the content of proposals put forth at board of director meetings to outside directors to enable them to engage in constructive discussions during meetings. In addition, JPX has an Audit Committee Office comprised of staff dedicated to providing assistance to the Audit Committee. The Audit Committee Office provides prior explanation on the content of proposals put forth at board of director meetings to Audit Committee members who are outside directors.

[Persons holding advisory positions (sodanyaku, komon, etc.) after retiring as representative director and president, etc.]

Information on persons holding advisory positions (sodanyaku, komon, etc.) after retiring as representative director and president, etc.

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date of retirement	Term

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date of retirement	Term
—	—	—	—	—	—

Number of persons holding advisory positions (sodanyaku, komon, etc.) after retiring as representative director and president, etc.	0

Others
JPX has in place a system to appoint advisors (komon) for the purpose of allowing smooth handovers between retiring and newly appointed directors.
Purpose of appointments: To allow smooth handovers between retiring and newly appointed directors.
Body with authority over system revision or abolishment: Nomination committee
Term of appointment: Three months or less
Remuneration: Paid

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)

JPX clearly segregates the management monitoring/supervisory function and the business execution function and adopts the "company with three committees (nomination, audit and compensation)" structure to strengthen oversight and raise the transparency of management. Oversight is centered on the JPX board of directors, which is comprised of 13 members, including two female directors. To raise the transparency of management and increase accountability, as well as enhance the function of supervising appropriateness of business execution, the majority of the board is made up of outside directors, and the position of Chair of the Board is taken by an outside director. The board of directors meets once a month in principle, and mainly discusses and makes decisions on the Company's fundamental management policy and important management matters, as well as supervising the executive officers' activities in executing said policy and matters.

The breakdown of the nine outside directors is described in "[Supplementary Principle 4.11.1 Disclosure of View on Balance of Knowledge, etc., Diversity, and Scale of the Board of Directors as a Whole and a Policy and Procedures for Appointment of Directors]". These directors each have considerable experience and insight on their various fields and contribute to a structure that allows for a multifaceted external perspective to be readily incorporated into JPX management.

(1) The Nomination, Audit, and Compensation Committees

JPX has a statutory Nomination Committee for the purpose of ensuring transparency, timeliness, and objectivity in the appointment/removal of its directors and executive officers. The Committee is made up of five directors, of which four are outside directors. The Nomination Committee mainly decides the contents of proposals for appointment/removal of directors which are put forth for approval at general shareholders meetings.

JPX also has a statutory Audit Committee, which performs the audit function. The Committee is made up of five directors, of which four are outside directors. The Audit Committee audits the executive officers' and the directors' execution of duties, creates audit reports, and decides the contents of proposals for the appointment or dismissal of external accounting auditors or proposals for non-reappointment of external accounting auditors, which are presented to general shareholders meetings.

The Audit Committee verifies the internal control system and monitors its application, based on the audit plan and division of roles that it determines, while collaborating closely with the external accounting auditor, internal auditing office, and the audit board members of subsidiaries, etc., as to conduct audit in an efficient manner. (For more details, please see "(1) Details on the Audit Committee" below.)

JPX also has a statutory Compensation Committee for the purpose of ensuring transparency and objectivity in the remuneration of its directors and executive officers. The Committee is made up of four directors, of which three are outside directors. The Compensation Committee decides the contents of each director and executive

officer's remuneration package, etc.

In FY2019, the Nomination Committee met seven times, the Audit Committee nine times, and the Compensation Committee five times. For information on each director's attendance record at board of directors and statutory committee meetings, please see the Notice of the Annual General Shareholders Meeting via the following link:
https://www.jpx.co.jp/english/corporate/investor-relations/shareholders/meeting/index.html

The Company has an Independent Outside Directors Committee as a corporate organ composed exclusively of part-time Independent Outside Directors to allow them to exchange information and form consensus among them. The committee helps part-time Independent Outside Directors to better perform management oversight and facilitate active discussion at Board of Directors meetings. In FY2019, the Independent Outside Directors Committee met three times (For more details, please refer to "Supplementary Principle 4.8.2 Establishment of Frameworks for Communication and Cooperation by Independent Outside Directors" of this paper.)

(2) The Risk Policy Committee

JPX has a Risk Policy Committee, which is made up of five members in total: four directors, three of which are outside directors, and one executive officer. The Risk Policy Committee holds discussions on what appropriate risk management systems for JPX Group should look like and how they should be managed, and provides recommendations, etc. to the board of directors, for the purpose of providing assistance to the board of directors in the oversight of such systems, and therefore contributing to their establishment. The Risk Policy Committee's current membership is as below.

Mr. Kubori Hideaki (Committee Chair, outside director)
Mr. Kiyota Akira
Ms. Kohda Main (outside director)
Mr. Yoneda Tsuyoshi (outside director)
Mr. Hasegawa Isao (executive officer)

The Risk Policy Committee meets at least twice a year in principle, and all of its members met three times in FY2019.

Below is more detail on the audit by the Audit Committee, the internal audit and the external financial audit.

(1) Details on the Audit Committee

• Procedures, members and composition of the Audit Committee

The Audit Committee executes audit duties in accordance with audit policies and audit plans that have been determined based on the Company's Rules of the Audit Committee and Rules of the Audits of the Audit Committee. The Committee is made up of five directors, four of whom are outside directors (meaning part-time members and including a member with extensive knowledge about finance and accounts) and one of whom is a full-time member. The Audit Committee audits the directors' and executive officers' execution of duties, creates audit reports, and decides the contents of proposals for the appointment or dismissal of external accounting auditors or proposals for non-reappointment of external accounting auditors, which are presented to general shareholders meetings. The Audit Committee monitors and verifies establishment of the internal control system and its application, based on the audit plan and division of roles that the committee determines, while collaborating closely with the external accounting auditor, internal auditing office, and the audit board members of subsidiaries, etc., so as to conduct audit in an efficient manner. One member chosen by the Committee (the full-time Committee member) carries out day-to-day audit duties such as attending important meetings including board of directors and executive officers meetings and inspecting key documents approving project proposals, etc., and reports back to the Audit Committee about these duties. The other Committee members attend board of directors meetings and Audit Committee meetings, and give proposals/advice about audit matters from a broad perspective. The Audit Committee also receives direct reports from the representative executive officer, other executive officers, the head of the internal auditing office, external accounting auditors and others when needed. The Audit Committee is aided in its work by the Audit Committee Office, which provides assistance for its audit work and carries out other administration in relation to the Audit Committee.

• The work of the Audit Committee and its members

The Audit Committee met nine times in FY2019. Its main points for decision-making were deciding the contents of the audit plan for FY2019, creating the audit report for FY2018, re-appointing the external

accounting auditor, and agreeing on the external accounting auditor's compensation package. Its main points for reporting were the external accounting auditor's audit plan, the implementation status of the internal auditing (quarterly), the quarterly review of the external accounting auditor, and hearings for executive officers, etc. The attendance register for each member was as follows (out of 9).
Mr. Yoneda Tsuyoshi: 9
Ms. Christina Ahmadjian: 9
Mr. Mori Kimitaka: 9
Ms. Kohda Main: 9
Mr. Minoguchi Makoto: 9

The full-time Committee member Mr. Minoguchi Makoto carried out continuous auditing duties, including attending important internal meetings such as executive officers meetings and Risk Management Committee meetings, inspecting documents approving project proposals, conducting on-site audits, and conducting hearings with staff members as appropriate. In addition, the Audit Committee met with the accounting auditor four times for the purpose of speedy implementation of Key Audit Matters (KAM) raised in the accounting auditor's audit report regarding financial results for the fiscal year ended March 2020, which is required by the Financial Instruments and Exchange Act.

(2) The Internal Audit

JPX has an internal auditing office with eight staff members, reporting directly to the CEO and COO, whose basic policy is to carry out checks and evaluations on the status of development and management of the internal control system and audit the status of business execution from the perspective of legality and propriety. The internal auditing office carries out its duties based on the audit plan, etc. that it decides on biannually. When they have finished an audit of a department, they first report the results to the CEO and COO in the form of an audit report, and having obtained the CEO and COO's approval, they then present the results to the head of the audited department. If as a result of a department audit there are matters which require improvement, the internal auditing office will ask said department for a written response and then require updates on the progress of such improvements, as well as carry out follow-up audits to confirm the implementation and operation of improvement measures. The internal auditing office communicates as needed with the full-time Audit Committee member as to decisions on the audit plan, and always presents results of internal audits to the Audit Committee without delay after presenting them to the CEO and COO.

(3) The External Accounting Audit

Our current external accounting auditor, for eight years since the fiscal year ended March 2013, is Deloitte Touche Tohmatsu LLC. The certified public accountants who carry out our audit are as below.

- Designated Unlimited Liability Partner, Engagement Partner, Yoshiaki Kitamura
- Designated Unlimited Liability Partner, Engagement Partner, Takako Fujimoto
- Designated Unlimited Liability Partner, Engagement Partner, Michiyuki Yamamoto

Additional assistance for the external audit is provided by eight other certified public accountants and 14 other people.

Regular meetings are held between the external accounting auditors and the Audit Committee regarding the audit plan and the status of audit execution, etc.

Finally, JPX has concluded limited liability agreements with each of the ten non-executive directors, with the liability limit set at the minimum amount set forth by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

JPX acknowledges the need to further increase accountability to shareholders and other stakeholders. We also seek to further enhance corporate governance by clearly segregating the management monitoring/supervisory function and the business execution function, which would contribute toward strengthening oversight and raising the transparency of management. As such, JPX adopts the structure of a company with three committees (nomination, audit and compensation).

The board of directors is composed of a majority of outside directors, and the position of Chair of the Board is taken by an outside director, to enhance the transparency and accountability of the management and enhance the function of supervising appropriateness of the business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders Meeting and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The notice of the meeting is sent about three weeks prior to the meeting. In addition, the notice is posted on the JPX website about four weeks prior to the meeting.
Scheduling Annual General Shareholders Meeting Avoiding the Peak Day	The annual general shareholders meeting is held about one week before the peak day.
Allowing Electronic Exercise of Voting Rights	Voting rights may be exercised by electronic means via the administrator of our shareholder register.
Participation in Electronic Voting Platform	Voting rights may be exercised via the electronic voting website of the "electronic voting platform for institutional investors".
Providing Convocation Notice in English (Fully or Partially)	To create an environment that is more conducive for voting rights exercise, we prepare English versions of convocation notices, which are provided to overseas shareholders via the "Institutional Investor Voting Platform," in addition to being published on our website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Our disclosure policy describes our fundamental approach toward information disclosure and is posted on the JPX website.	
Regular Investor Briefings for Individual Investors	Briefing sessions, etc. for individual investors are held as and when necessary, including in an online format.	No
Regular Investor Briefings for Analysts and Institutional Investors	We hold briefing sessions for analysts and institutional investors, including in an online format.	Yes
Regular Investor Briefings for Overseas Investors	We carry out IR aimed at overseas investors, including in an online format, for example by participating in conferences for overseas investors.	Yes
Posting of IR Materials on Website	We have websites for shareholders and investors, and post earnings reports, material and video content on briefing sessions, securities reports, medium-term management plans, convocation notices and notices of resolutions of general shareholders meetings, press releases and other material on the website. [Investor Relations] https://www.jpx.co.jp/english/corporate/investor-relations/index.html	
Establishment of Department and/or Manager in Charge of IR	IR activities are conducted with a dedicated person responsible for investor relations in the Corporate Communications Department under an executive officer in charge.	
Other	We strive to prepare annual reports and other supplementary explanatory material on earnings results which are easy to understand.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Internal Rules Stipulated for	As a financial instruments exchange holding company, through business administration, etc. of subsidiary financial instruments exchanges and others, we conduct activities to

Respecting the Position of Stakeholders	build social credibility by constructing an efficient, convenient market that is fair and reliable. The charter of corporate behavior at JPX is aimed at developing a harmonious relationship with society and clarifying the social responsibilities of JPX as an open company. It lays out the basic policies of JPX for behavior as a corporation from both a moral and ethical standpoint derived from universal values. In line with the spirit of the charter, we will continue to fulfill our social mission by carrying out sensible, fair and transparent corporate activities. Moving forward, we will observe and enforce the charter to contribute to society and pursue sustainable development as a corporation.
Implementation of Environmental Activities, CSR Activities, etc.	Based on the fundamental aspect of securing the operations of markets as public infrastructure, our basic stance toward CSR activities involves maintaining good relations with shareholders and other stakeholders. This specifically entails pursuing CSR activities by turning ideas laid out in the JPX charter of corporate behavior into action. To help the environment, we carry out forest conservation activities.
Other	JPX launched its work reform program in FY2016, undertaking various initiatives to contribute to work efficiency and productivity, including offering employees greater flexibility in their working styles. The Company has also implemented and promoted a number of measures that help employees in balancing diverse life styles, and help female employees and employees with various time constraints play more active roles. For more details, please refer to the JPX website below. [Diversity, Employee Advancement, and Work Style Reforms] https://www.jpx.co.jp/english/corporate/sustainability/jpx-esg/employee/index.html

IV. Matters Related to the Internal Control System

1. Fundamental Views on Internal Control System and the Progress of System Development

Our fundamental policy on building internal control systems is as described below.

1. Matters regarding Board Members and Employees that Support the JPX Audit Committee in Execution of Duties

In order to set forth matters regarding employees that support the Audit Committee in the execution of its duties, JPX shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

(1) Employees assigned to the Audit Committee Office shall support the Audit Committee in the execution of its duties and follow instructions of the Audit Committee.

(2) At least 4 employees, including an office director, shall be assigned to the Audit Committee Office.

2. Matters regarding Independence of Board Members and Employees that Support the JPX Audit Committee in Execution of Duties from JPX Executive Officers

In order to ensure the independence of employees assigned to the Audit Committee Office, JPX shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

(1) JPX shall obtain consent from the Audit Committee (in cases where the committee has designated a specific Audit Committee member, it shall be such member) in advance regarding employment, personnel transfer, employee evaluation, salary, and disciplinary punishment of employees assigned to the Audit Committee Office.

(2) Executive officers and employees shall be careful not to undermine the independence of employees assigned to the Audit Committee Office by unduly restricting the execution of such employees' duties.

3. Matters regarding Ensuring the Effectiveness of Instructions by the JPX Audit Committee to Board Members and Employees that Support the Audit Committee in Execution of Duties

In order to ensure the effectiveness of the instructions of the Audit Committee given to employees assigned to the Audit Committee Office, JPX shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

(1) Employees assigned to the Audit Committee Office shall support the Audit Committee in executing its duties, and follow the instructions of the Audit Committee.
(2) The director of the Audit Committee Office shall assist the Audit Committee in executing its duties and, for the purpose of smooth audits by the Audit Committee, shall oversee operations and take overall command of other employees assigned to the Audit Committee Office.

4. Frameworks for Reporting to the JPX Audit Committee, including Those Specified below

(1) Frameworks for reporting to the Audit Committee, by JPX board members (excluding Audit Committee members), executive officers, and employees and for other reporting to the JPX Audit Committee

In order to develop a framework for reporting to the Audit Committee, JPX shall establish "Rules regarding Reports to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

a. When a board member (excluding Audit Committee members), executive officer, or employee receives a request for a report on execution of duties from the Audit Committee or an Audit Committee member designated by the Audit Committee, such board member, executive officer, or employee shall promptly make an appropriate report.
b. When an executive officer or employee discovers a matter that may have material effect on the business or financial condition of JPX, its subsidiaries, or affiliated companies, such executive officer or employee must immediately report the details of such matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.

(2) Framework for reporting to the JPX Audit Committee by a JPX subsidiary board member, auditor, executive officer, other person equivalent thereto, and employee as well as a person who has received a report from such board member, etc. (hereinafter referred to as "Subsidiary Board Member, etc.")

In order to develop a framework for reporting to the Audit Committee, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

a. When a Subsidiary Board Member, etc., JPX executive officer, or JPX employee receives a request for report on matters regarding the subsidiaries from the Audit Committee or an Audit Committee member designated by the Audit Committee, such Subsidiary Board Member, etc. shall promptly make an appropriate report.
b When a Subsidiary Board Member, etc., JPX executive officer, or JPX employee discovers a matter that may have material effect on the business or financial condition of any of the subsidiaries, such Subsidiary Board Member, etc. must immediately report the details of such matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.

5. Frameworks for Ensuring that the Person who Made a Report in the above 4. Shall Not be Subject to Any Unfavorable Treatment for Reason of Having Made Such Report

In order to establish a framework for ensuring that a person who made a report to the Audit Committee shall not be subject to unfavorable treatment for reason of having made such report, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

(1) A person who made a report to the Audit Committee or an Audit Committee member designated by the Audit Committee shall not be subject to unfavorable treatment by JPX, executive officers, employees, etc. for reason of having made such report.
(2) JPX, executive officers, employees, etc. must not disadvantage a person who made such report to the Audit Committee or the Audit Committee member designated by the Audit Committee for reason of having made such report.

6. Matter regarding the Policy for Handling Expenses or Payables in relation to Execution of Duties of JPX Audit Committee Members (limited to those related to the Execution of Duties of the Audit Committee), such as Procedures for Advance Payment or Reimbursement in relation to Execution of Such Duties

With respect to the policy for handling expenses or payables in relation to the execution of duties of Audit Committee members, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

(1) When the Audit Committee or an Audit Committee member claims expenses necessary for activities such as requesting advice from or entrusting investigation, appraisement, and other work to an attorney-at-law, certified public accountant, and other outside experts for the purpose of Audit Committee members or the Audit Committee that conduct audits, the executive officer and employee

may not refuse such claims unless the claimed expenses are deemed unnecessary for the execution of duties of Audit Committee members or the Audit Committee.

(2) The provisions of the preceding item shall be applied to expenses for the execution of duties of the Audit Committee, including advance payment of retainer fees, and reimbursement of ex-post facto expenses, etc.

7. Frameworks to Ensure Effectiveness of JPX Audit Committee Audits

In order to ensure the effectiveness of audits by the Audit Committee, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

(1) The representative executive officer shall regularly meet with the Audit Committee or an Audit Committee member designated by the Audit Committee and exchange opinions regarding management policies, issues JPX should deal with, material risks involving JPX, the audit environment of the Audit Committee, other important audit issues, etc.

(2) When an Audit Committee member designated by the Audit Committee delivers an opinion or requests explanation at the meeting of the board of executive officers or other important meetings, executive officers and employees shall respond to such actions appropriately in good faith.

8. Frameworks to Ensure that Execution of Duties of JPX Executive Officers and Employees is in Compliance with Laws, Regulations, and the Articles of Incorporation

JPX shall conduct operations in accordance with the division of duties and authority prescribed in company rules and shall ensure that the execution of duties is in compliance with laws, regulations, and the articles of incorporation.

A compliance program shall be implemented with the following measures.

(1) JPX shall establish and observe company compliance rules (including those related to information management), such as the "Charter of Corporate Behavior," which lays out universal values from the perspective of corporate ethics for executive officers and employees, and the employee code of conduct, which is a guideline for employee conduct.

(2) JPX shall appoint a compliance executive officer (position assumed by the CEO) and an officer in charge of compliance (executive officer in charge of general administration), and establish a secretariat for operations related to compliance (within the general administration department) as an internal compliance system.

(3) JPX shall establish and operate a compliance hotline as a whistleblowing system.

(4) JPX shall continuously conduct awareness and educational activities, such as holding liaison meetings for staff responsible for compliance, distributing compliance information over the intranet, and implementing in-house training through e-learning.

JPX shall enact the following measures based on the "Charter of Corporate Behavior" toward the exclusion of anti-social forces.

(1) JPX shall take a firm stance against anti-social forces, which threaten public order and safety, and work to stop and prevent any relationship with such entities.

(2) JPX shall work to prevent the intervention of anti-social forces in the markets and create sound and fair markets.

An internal auditing office shall be established under the direct control of the CEO and COO, and it shall conduct internal audits.

9. Framework regarding Information Storage and Management related to Execution of Duties of Executive Officers

JPX shall set forth provisions regarding the handling of the storage of documents pertaining to the execution of duties of executive officers, such as minutes of the board of executive officers meetings, in the information security policy standards clarified in the company rules.

10. Rules and Other Frameworks regarding JPX Loss Risk Management

JPX shall employ a business operation framework in accordance with the division of duties and authority clarified in the company rules, and said framework shall be based on the idea that board members, executive officers, and employees shall responsibly conduct business and operations with an awareness of risk management in accordance with their own scope of duties and authority.

With a view to prevent risks from actually happening, JPX shall be aware of risks for the JPX corporate group, which is comprised of JPX and its subsidiaries (hereinafter referred to as "JPX group companies"), and prepare and manage appropriate measures against such risks. In addition, in order to develop a framework for regularly reporting such risks and measures, JPX shall establish a Risk Policy Committee, with an outside director acting as the chair and a Risk Management Committee with the CEO acting as the chair, and shall establish a "Risk Management Policy", including the following details, and implement such policy appropriately.

(1) The Risk Policy Committee shall discuss matters concerning important risk management in JPX group companies. Discussions shall be based on a comprehensive risk management framework specified in the "Risk Management Policy". The committee shall then make suggestions and submit reports on the discussion results to the board of directors.

(2) The Risk Management Committee shall first obtain a comprehensive understanding of the status of day-to-day risk management at JPX group companies and circumstances where risks are identified or are likely to be so, then discuss measures for a prompt solution and so forth, and lastly report the progress to the board of directors.

Particularly, JPX shall maintain a strong awareness of its core responsibilities as a market operator to stably provide opportunities for market users to trade with confidence. Furthermore, regarding risks related to the stable operation of systems, JPX will enact the required and appropriate measures in their development and operation frameworks, such as implementing standardized development methods and adequate operational tests, preparing detailed operational manuals and complying with such, and maintaining thorough quality control pertaining to development and operations via the establishment of dedicated departments or divisions.

Moreover, in preparation for situations where the continued operation of the market becomes difficult due to natural disasters, terrorist acts, etc., JPX shall establish a "Business Continuity Plan" to minimize the impact on related parties and provide appropriate measures through predetermined frameworks and procedures necessary for resuming operations as quickly as possible.

Additionally, in consideration of the importance of self-regulatory functions to JPX group companies as a market operator and the general public's high expectations for such functions, JPX shall establish measures to maintain fairness, such as organizational measures to ensure the independence of self-regulatory operations with regard to the risks pertaining to the proper function of self-regulatory operations (various risks, including reputation risks, in cases where self-regulatory operations are not carried out appropriately). At the same time, by proactively investing management resources, JPX will pursue improvements to the quality of self-regulatory operations through such means as preparing appropriate operational manuals and complying with such, as well as enhancing educational training in order to raise the quality of self-regulatory operations.

11. Frameworks to Ensure Efficient Execution of JPX Executive Officer Duties

JPX shall establish a framework for the management of operations in accordance with the division of duties and authority clarified in the company rules so as to specialize and enhance operations through a system of divided labor. Within this framework, JPX shall allow authority to be delegated according to its importance and improve the mobility of decision-making procedures.

JPX shall formulate medium-term management and annual budget plans with the appropriate combination of top-down management and bottom-up approach from the departmental level, etc. and also execute operations efficiently through appropriate progress management.

12. Frameworks to Ensure Proper Operations by the Corporate Group Comprised of JPX, the Parent Company, and its Subsidiaries

(1) Framework for reporting the execution of duties of board members, executive officers, and persons equivalent thereto of JPX subsidiaries (hereinafter collectively referred to as "Subsidiary Board Member, etc.") to JPX

JPX shall conduct business management of its subsidiaries based on business management agreements or request various reports based on "Affiliated Company Management Rules."

(2) Frameworks including rules regarding management of risk of losses that may be incurred by JPX subsidiaries

JPX shall conduct business management of its subsidiaries based on business management agreements, or request them to report the state of risk management based on "Affiliated Company Management Rules" and provide advice, etc. on an as-needed basis.

(3) Framework for ensuring efficient execution of duties by JPX Subsidiary Board Member, etc.

JPX shall achieve efficient execution of duties at its subsidiaries based on business management

agreements or "Affiliated Company Management Rules" by appropriately managing and supporting them in accordance with their respective corporate positioning and scale.

(4) Framework for ensuring that the execution of duties by JPX subsidiary board members, etc. and employees is in compliance with laws, regulations, and the articles of incorporation

JPX shall continuously conduct awareness and educational activities, such as holding liaison meetings with staff responsible for compliance at JPX group companies and disseminating information on compliance.

JPX shall conduct business management of its subsidiaries based on business management agreements, or request them to establish a compliance hotline as a whistleblowing system based on "Affiliated Company Management Rules" and provide advice, etc. on an as-needed basis.

JPX shall make the JPX internal auditing office conduct internal audit on its subsidiaries or request reports on the results of internal audits by the subsidiaries based on business management agreements or "Affiliated Company Management Rules," and provide advice, etc. on an as-needed basis.

(5) Other Frameworks to Ensure Proper Operations within the Corporate Group Comprised of JPX, the Parent Company, and its Subsidiaries

JPX shall establish the "Charter of Corporate Behavior", which lays out universal values from the perspective of corporate ethics for executive officers and employees of JPX group companies.

2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts

(1) Fundamental approach

<Fundamental policy of Japan Exchange Group on exclusion of anti-social forces >

Based on the JPX Code of Corporate Conduct, we will take a firm stance against anti-social forces which threaten public order and safety, and work to cut off all relations with such entities, and will work to prevent the intervention of anti-social forces in the market to create sound and fair markets. Our fundamental policy on the exclusion of anti-social forces is set forth as below.

1. We will make efforts as an organization to exclude anti-social forces.
2. We will cut off all transactional and other relations with anti-social forces. In the event where such relations were revealed after the event, we will take necessary measures such as terminating contracts with immediate effect.
3. We will cooperate with the police, attorneys-at-law, and institutions that conduct activities related to the elimination of anti-social forces and strive to eliminate anti-social forces.
4. We will take necessary measures to ensure the safety of our directors, auditors, executive officers, and employees.

(2) State of related efforts

The above fundamental policy on elimination of anti-social forces formulated by JPX is also partially incorporated into our code of corporate conduct and our fundamental policy on building internal control systems, which is required by the Companies Act.

In the course of our daily operations, we prepare manuals and other documents on response to anti-social forces, conduct activities to spread knowledge among persons in charge, gather and manage information related to anti-social forces, and conduct investigations on related entities as necessary. With regard to our clients, we take measures such as requiring them to conclude agreements that specify the termination of contracts, etc. in the event where the client is found to have ties to anti-social forces. These measures are part of our efforts aimed at preventing the influence of anti-social forces in JPX business activities and early detection.

JPX also strives to strengthen its cooperation with external institutions, such as law enforcement organs and legal professionals, and continue improving our system to enable us to respond appropriately when the need arises.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

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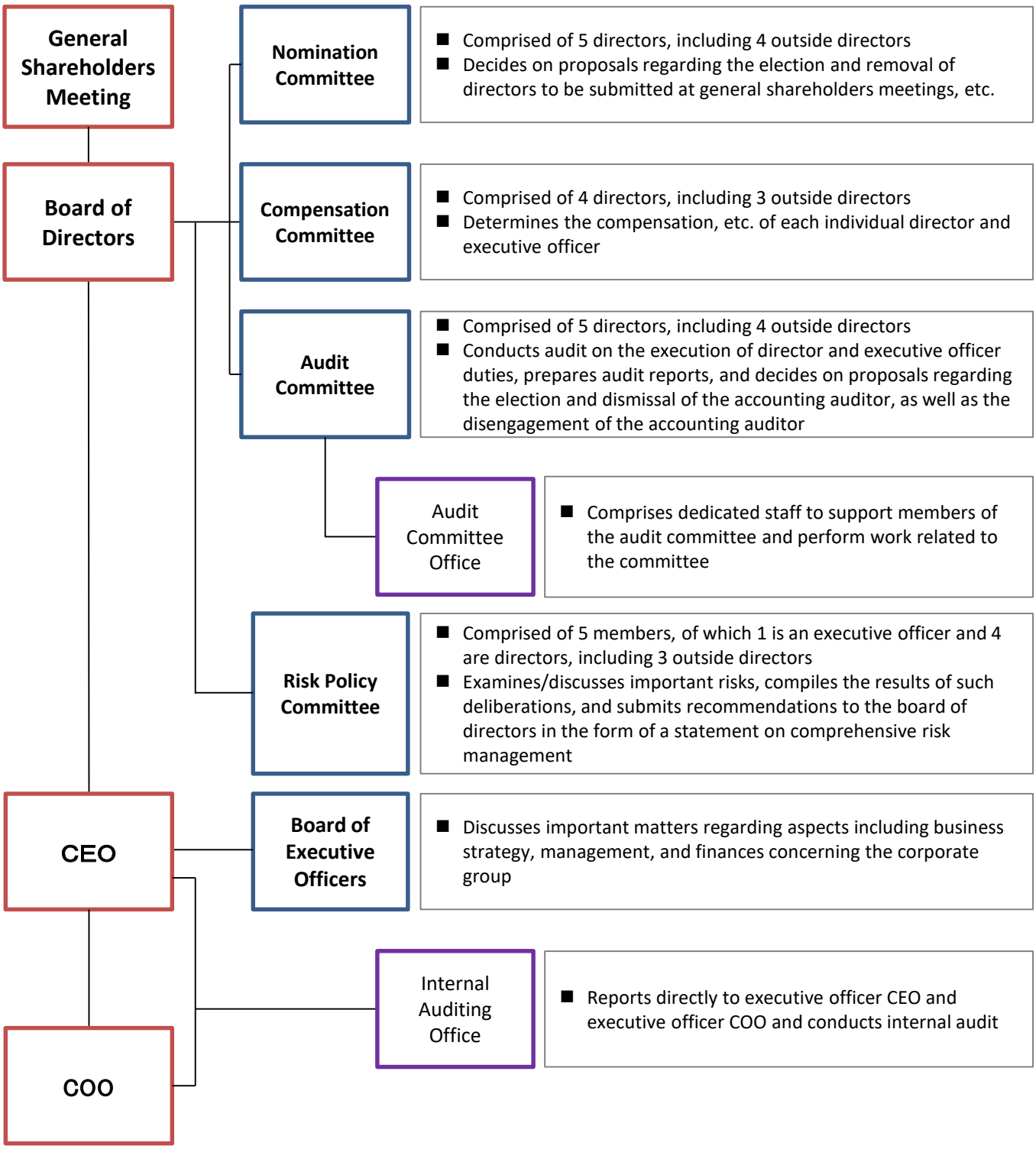
2. Other Matters Concerning Corporate Governance System

The Financial Instruments and Exchange Act implemented on September 30, 2007 established a framework to enhance the independence of an organization that is responsible for the self-regulatory function of a financial instruments exchange. Following the enforcement of the Act, Tokyo Stock Exchange Group, Inc. (now JPX) swiftly established a self-regulatory organization under the Act. The Act stipulates that highly independent outside governors should make up the majority of governors of the self-regulatory organization and that the president should be appointed from amongst such outside governors. JPX subsidiaries Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. entrust self-regulatory work to Japan Exchange Regulation.

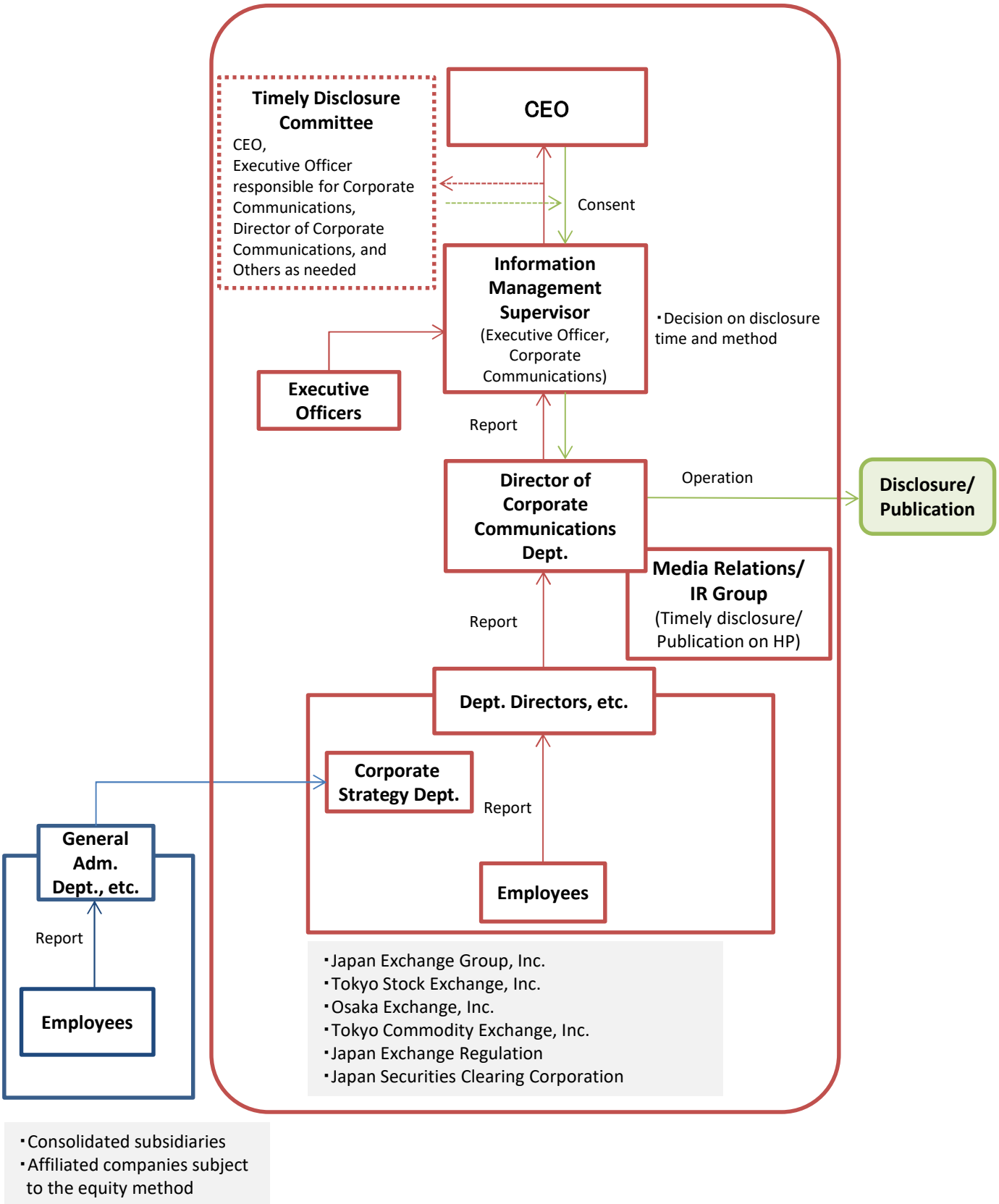
In addition, to ensure the independence of self-regulatory operations regarding the commodities market, a Self-regulatory Committee has been set up as an advisory body to the Board of Directors of Tokyo Commodity Exchange to deliberate on matters of self-regulation. A department responsible for self-regulatory affairs has also been set up to support the work of this Committee.

Through such measures, we will strive to raise the independence of the self-regulatory functions of JPX Group and prevent conflicts of interest between JPX as a corporation and market fairness.

Corporate Governance System at Japan Exchange Group



Overview of Japan Exchange Group Timely Disclosure System



・Consolidated subsidiaries
・Affiliated companies subject to the equity method