

[TRANSLATION]

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Securities Code: 8697

May 27, 2014

## Notice of the 13<sup>th</sup> Annual General Shareholders Meeting

Dear Shareholder,

You are cordially invited to attend the 13th Annual General Shareholders Meeting to be held as described below.

If you are unable to attend, please review the items in the reference documents for the general shareholders meeting described in this Notice and indicate your approval or disapproval either by returning the enclosed form for exercise of voting rights or via electronic means by accessing the website indicated in the form. Votes must be received by 4:45 p.m., Monday, June 16, 2014.

Sincerely yours,

Atsushi Saito  
Director & Representative Executive Officer, Group CEO  
Japan Exchange Group, Inc.  
2-1, Nihombashi-Kabuto-cho,  
Chuo-ku, Tokyo

### Regarding exercise of voting rights

#### 1. Exercise of voting rights in writing (postal mail)

Please indicate your approval or disapproval and return the enclosed form for exercise of voting rights by the deadline indicated above.

#### 2. Exercise of voting rights by electronic means (via the Internet)

Please access the website designated by Japan Exchange Group, Inc. (hereinafter "the Company") (<http://www.evotep.jp/>), and follow on-screen instructions to indicate your approval or disapproval by the deadline indicated above.

## MEETING AGENDA

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1. Date and Time	10:00 a.m., Tuesday, June 17, 2014
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2. Venue	Royal Hall 3rd Floor, Royal Park Hotel 2-1-1 Nihombashi-Kakigara-cho, Chuo-ku, Tokyo
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3. Objectives of Meeting	
Matters to Be Reported	<ol style="list-style-type: none"><li>1. The business report, the consolidated financial statements and the reports on the audit of the consolidated financial statements by the Accounting Auditor and the Audit Committee for the 13<sup>th</sup> term (from April 1, 2013 to March 31, 2014)</li><li>2. The non-consolidated financial statements for the 13<sup>th</sup> term (from April 1, 2013 to March 31, 2014)</li></ol>
Matters to Be Resolved	
Proposal	Election of fourteen (14) Directors

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- When attending the general shareholders meeting in person, you are kindly requested to submit the enclosed form for exercise of voting rights at the reception desk. Please note that persons other than shareholders eligible to vote will not be allowed entry to the meeting even if they hold the form for exercise of voting rights. This includes proxies and accompanying persons.
- If the need arises to amend the reference documents for the general shareholders meeting, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, the amendments will be posted on the Company's website (<http://www.jpx.co.jp/investor-relations/>).
- In cases where a shareholder votes more than once, by sending the form for exercise of voting rights via postal mail and via the Internet, the vote cast via the Internet shall be considered the effective vote. In cases where a shareholder votes via the Internet multiple times or via the websites for both computers and mobile telephones, the final vote cast will be considered the effective vote.

## Proposal Election of fourteen (14) Directors

All 14 Directors will retire upon the completion of their terms of office at the end of this annual general shareholders meeting. Based on the decision of the Nomination Committee, 14 Directors have been put forth for election. The candidates for Directors are as follows.

Candidate No.	Name	Position at the Company	
Directors			
1	Masakazu Hayashi	Director (Chairperson of the Board of Directors)	Re-appointment
2	Atsushi Saito	Director & Representative Executive Officer, Group CEO	Re-appointment
3	Michio Yoneda	Director & Representative Executive Officer, Group COO	Re-appointment
4	Akira Kiyota	Director	Re-appointment
5	Hiromi Yamaji	Director	Re-appointment
6	Christina Ahmadjian	—	New Appointment Independent Director Candidate for Outside Director
7	Tsutomu Okuda	Director	Re-appointment Independent Director Candidate for Outside Director
8	Hideaki Kubori	Director	Re-appointment Independent Director Candidate for Outside Director
9	Michiko Tomonaga	—	New Appointment Independent Director Candidate for Outside Director
10	Masayuki Hirose	Director	Re-appointment
11	Katsuhiko Honda	Director	Re-appointment Independent Director Candidate for Outside Director
12	Kunihiro Matsuo	Director	Re-appointment Independent Director Candidate for Outside Director
13	Shigeru Morimoto	Director	Re-appointment Independent Director Candidate for Outside Director
14	Charles Ditmars Lake II	Director	Re-appointment Independent Director Candidate for Outside Director

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Candidate  
number

1

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## Masakazu Hayashi

Re-  
appointment

Date of birth  
April 6, 1945

No. of Company shares  
held  
0 shares

### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1968 Joined Ministry of Finance  
Jun. 1992 Director, General Coordination Division, Securities Bureau, "  
Jun. 2000 Director-General, Budget Bureau, "  
Jan. 2003 Administrative Vice-Minister of Finance  
Jul. 2004 Advisor to the Ministry of Finance  
Jul. 2005 Chairman, Japan Investor Protection Fund  
Aug. 2007 Director, Tokyo Stock Exchange Group, Inc.  
Oct. 2007 President, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)  
Jan. 2013 Director of the Company  
(current position)  
Jun. 2013 Chairperson of the Board of Directors (current position)

(Area of Responsibility)

Chairperson of the Board of Directors

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Candidate  
number

2

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## Atsushi Saito

Re-  
appointment

Date of Birth  
Oct. 18, 1939

No. of Company Shares  
Held  
24,100 shares

### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1963 Joined Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)  
Dec. 1988 Managing Director, "  
Jun. 1990 Executive Managing Director, "  
Jun. 1995 Executive Vice President, "  
Oct. 1998 Joined Sumitomo Life Investment Co. Ltd. as Advisor  
Jan. 1999 President of Sumitomo Life Investment Co. Ltd.  
Jun. 2002 Chairman, "  
Apr. 2003 President and CEO, Industrial Revitalization Corporation of Japan  
May 2007 Joined Tokyo Stock Exchange, Inc. as Advisor  
Jun. 2007 President & CEO, "  
Aug. 2007 President & CEO, Tokyo Stock Exchange Group, Inc.  
Jan. 2013 Director & Representative Executive Officer, Group CEO of the Company (current position)  
Director, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) (current position)

(Area of Responsibility)

Group CEO, Chairman of the Nomination Committee, member of the Compensation Committee

(Significant Concurrent Position(s))

Member of the Board of Directors, Osaka Exchange, Inc.

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Candidate  
number

3

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**Michio Yoneda**

Re-  
appointment

Date of Birth  
Jun. 14, 1949

No. of Company Shares  
Held  
51,200 shares

Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1973 Joined The Bank of Japan  
Jul. 1995 General Manager, Akita Branch, "  
May 1998 General Manager, Sapporo Branch, "  
Apr. 2000 Executive Director, Osaka Securities Exchange  
Apr. 2001 Executive Director (Member of the Board), Osaka Securities Exchange Co., Ltd.  
Oct. 2002 Senior Executive Director (Member of the Board), "  
Dec. 2003 President & CEO (Member of the Board), "  
Jan. 2013 Director & Representative Executive Officer, Group COO of the Company (current position)  
Director, Tokyo Stock Exchange, Inc. (current position)

(Area of Responsibility)

Group COO, member of the Nomination Committee

(Significant Concurrent Position(s))

Member of the Board of Directors, Tokyo Stock Exchange, Inc.

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Candidate  
number

4

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**Akira Kiyota**

Re-  
appointment

Date of Birth  
May 6, 1945

No. of Company Shares  
Held  
1,500 shares

Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1969 Joined Daiwa Securities Co. Ltd.(currently Daiwa Securities Group Inc.)  
Jun.1994 Director, Head of Tobu Area Sales Division, "  
May 1996 Director, Head of Bond & Finance Division, "  
Jun. 1997 Managing Director, Head of Bond & Finance Division, "  
Oct. 1997 Deputy President, "  
Apr. 1999 President, Daiwa Securities SB Capital Markets Co. Ltd. (currently Daiwa Securities Co. Ltd.)  
Jun. 2004 Deputy Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.  
Chairman of the Institute, Daiwa Institute of Research Ltd.  
Jun. 2008 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.  
Apr. 2011 Director Honorary Chairman, Daiwa Securities Group Inc.  
Jun. 2011 Honorary Chairman, "  
Jun. 2013 Director of the Company (current position)  
President & CEO, Tokyo Stock Exchange, Inc. (current position)

(Significant Concurrent Position(s))

President & CEO, Tokyo Stock Exchange, Inc.

Candidate  
number

5

## Hiromi Yamaji

Re-  
appointment

Date of Birth  
Mar. 8, 1955

No. of Company Shares  
Held  
1,100 shares

### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1977 Joined The Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)

Dec. 1994 Head of European Investment Banking Division, "

Jun. 1997 General Manager, Personnel Department, The Nomura Securities Co., Ltd. (Tokyo)

Jun. 1998 Member of the Board in charge of Investment Banking Products Division, "

Jun. 2000 Managing Director in charge of Global Investment Banking and Investment Banking Products Divisions, "

Apr. 2002 President & CEO, Nomura Europe Holdings plc (London), President & CEO, Nomura International plc (London), and Chairman, Nomura Holding America Inc. (New York)

Jun. 2003 Executive Managing Director, Regional Management of Europe Region, Nomura Holdings, Inc.

Apr. 2005 Executive Managing Director, Investment Banking, Nomura Securities Co., Ltd.

Apr. 2007 Executive Vice President, Global Investment Banking, "

Oct. 2008 Executive Managing Director, Investment Banking, "

Jun. 2010 Executive Vice President, Executive Chairman of Investment Banking, Nomura Holdings, Inc.

Apr. 2011 Executive Vice President, Investment Banking, Nomura Securities Co., Ltd.

Aug. 2012 Counselor, ", and Vice Chairman, Nomura Europe Holdings plc (London)

Apr. 2013 Senior Adviser, Nomura Securities Co., Ltd.

Jun. 2013 Director of the Company (current position) and President & CEO, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) (current position)

(Significant Concurrent Position(s))

President & CEO, Osaka Exchange, Inc.

Candidate number				
6	<b>Christina Ahmadjian</b>	New Appointment Candidate for Outside Director	Independent Director	Date of Birth March 5, 1959
				No. of Company shares held 0 shares

**Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)**

Jan. 1995 Assistant Professor, Columbia Business School (Graduate School of Business, Columbia University)	Apr. 2010 Dean, Hitotsubashi University, Graduate School of International Corporate Strategy
Oct. 2001 Associate Professor, Hitotsubashi University, Graduate School of International Corporate Strategy	Apr. 2012 Professor, Hitotsubashi University, Graduate School of Commerce and Management (current position)
Jan. 2004 Professor, "	

(Significant Concurrent Position(s))  
 Professor, Hitotsubashi University, Graduate School of Commerce and Management  
 Outside Director, Mitsubishi Heavy Industries, Ltd.

**Reason for Candidature as Outside Director**

Ms. Christina Ahmadjian has been put forth as a candidate for outside director due to her insight on corporate strategy from a technical perspective as an academic which can be expected to be reflected into the management of the Company. In addition, while Ms. Ahmadjian has not been previously involved in corporate management other than in the capacity of outside director or outside auditor, based on the above reason, it was determined that Ms. Ahmadjian will be able to appropriately conduct the duties of an outside director.

Candidate number				
7	<b>Tsutomu Okuda</b>	Re-appointment Candidate for Outside Director	Independent Director	Date of Birth Oct. 14, 1939
				No. of Company Shares Held 4,500 shares

**Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)**

Apr. 1964 Joined The Daimaru Inc.	Mar. 2010 Representative Director and Chairman & CEO, J. FRONT RETAILING Co., Ltd.
Sep. 1991 Representative Director, Daimaru Australia Pty. Ltd.	Jan. 2013 Outside Director of the Company (current position)
May 1995 Director, The Daimaru Inc.	Apr. 2013 Director and Senior Advisor, J. FRONT RETAILING Co., Ltd.
May 1996 Managing Director, "	May 2014 Senior Advisor, " (current position)
Mar. 1997 President, "	(Area of Responsibility)
May 2003 Chairman and CEO, "	Chairman of the Compensation Committee
Jun. 2006 Outside Director (Member of the Board), Osaka Securities Exchange Co., Ltd.	(Significant Concurrent Position(s))
Sep. 2007 President and CEO, J. FRONT RETAILING Co., Ltd.	Senior Advisor, J. FRONT RETAILING Co., Ltd.
Chairman, The Daimaru, Inc.	Outside Director, Resona Holdings, Inc.
	Outside Auditor, Mainichi Broadcasting System Inc.

**Reason for Candidature as Outside Director**

Mr. Tsutomu Okuda has been put forth as a candidate for outside director due to his considerable experience and insight as a corporate executive which can be expected to be reflected into the management of the Company.

Candidate  
number

8

## Hideaki Kubori

Re- appointment Candidate for Outside Director	Independent Director	Date of Birth Aug. 29, 1944	No. of Company Shares Held 0 shares
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### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1971 Registration as Attorney-at-law (current position)	(Area of Responsibility) Member of the Nomination Committee
Joined Mori Sogo (currently Mori Hamada & Matsumoto)	(Significant Concurrent Position(s)) Outside Governor, Japan Exchange Regulation
Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)	Attorney-at-law Representative, HIBIYA PARK LAW OFFICES
Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, The Japan Federation of Bar Associations	Outside Auditor, SOURCENEXT CORPORATION Professor, Omiya Law School
Apr. 2004 Professor, Omiya Law School (current position)	Member of the Supervisory Committee, The Norinchukin Bank
Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc.	
Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) (current position)	
Jan. 2013 Outside Director of the Company (current position)	

### Reason for Candidature as Outside Director

Mr. Hideaki Kubori has been put forth as a candidate for outside director due to 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 the Company. In addition, while Mr. Kubori has not been previously involved in corporate management other than in the capacity of outside director or outside auditor, based on the above reason, it was determined that Mr. Kubori will be able to appropriately conduct the duties of an outside director.



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Candidate  
number

9

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Michiko Tomonaga

New Appointment	Independent Director	Date of Birth Jul. 26, 1947
Candidate for Outside Director		

No. of Company Shares Held
0 shares

Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1972 Entered Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)	(Significant Concurrent Position(s)) Outside Auditor, Keikyu Corporation
Mar. 1975 Registration as Certified Public Accountant (current position)	Outside Auditor, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Jul. 2007 Vice President, Japanese Institute of Certified Public Accountants	Outside Auditor, Corporation for Revitalizing Earthquake affected Business
Jul. 2008 Senior Partner, Ernst & Young ShinNihon LLC	

Reason for Candidature as Outside Director

Ms. Michiko Tomonaga has been put forth as a candidate for outside director due to her insight on corporate accounting in her capacity as an accounting professional which can be expected to be reflected into the management of the Company. In addition, while Ms. Tomonaga has not been previously involved in corporate management other than in the capacity of outside director or outside auditor, based on the above reason, it was determined that Ms. Tomonaga will be able to appropriately conduct the duties of an outside director.

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Candidate  
number

10

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Masayuki Hirose

Re- appointment	Date of Birth Jul. 8, 1956
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No. of Company Shares Held
0 shares

Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1979 Joined Tokyo Stock Exchange  
Jun. 2003 Director, Examination Department, Tokyo Stock Exchange, Inc.  
Jun. 2004 Director, Information System Department, "  
Apr. 2006 Director, IT Planning Department, "  
Jun. 2006 Director, IT Planning Department and Director, Trading Systems, Development Operations  
Department, "  
Aug. 2007 Director, IT Planning Department, Tokyo Stock Exchange Group, Inc.  
Director, Trading Systems, IT Development Department, Tokyo Stock Exchange, Inc.  
Jan. 2009 Director, Tdex+ System, IT Development Department and Director, IT Management Office, "  
Jun. 2009 Director, Tokyo Stock Exchange Group, Inc.  
Statutory Auditor, Tokyo Stock Exchange, Inc. (current position)  
Jan. 2013 Director of the Company (current position)

(Area of Responsibility)

Member of the Audit Committee

(Significant Concurrent Position(s))

Statutory Auditor, Tokyo Stock Exchange, Inc.

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Candidate  
number

11

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## Katsuhiko Honda

Re- appointment Candidate for Outside Director	Independent Director/ Director	Date of Birth Mar. 12, 1942	No. of Company Shares Held 0 shares
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### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1965	Joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc.)	Jun. 2006	Member of the Board, Corporate Counselor, "
Jun. 1992	Director, General Manager, Human Resources, "	Jun. 2009	Outside Director, Tokyo Stock Exchange Group, Inc.
Jun. 1994	Managing Director and Leader, Personnel and Labor Group, "		Outside Director, Tokyo Stock Exchange, Inc.
Jun. 1995	Managing Director, Tobacco Business Headquarters, "		Corporate Counselor, Japan Tobacco Inc.
Jun. 1996	Senior Managing Director, Tobacco Business Headquarters, "	Jun. 2012	Corporate Counselor (current position) , "
Jun. 1998	Executive Deputy President and Representative Director, "	Jan. 2013	Outside Director of the Company (current position)
Jun. 2000	President and Representative Director, "		(Area of Responsibility)
			Member of the Nomination Committee
			(Significant Concurrent Position(s))
			Corporate Counselor, Japan Tobacco Inc.
			Member of the Board of Governors, Japan Broadcasting Corporation

### Reason for Candidature as Outside Director

Mr. Katsuhiko Honda has been put forth as a candidate for outside director due to his abundant experience and expert knowledge on business management which can be expected to be reflected into the management of the Company.

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Candidate  
number

12

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## Kunihiro Matsuo

Re- appointment Candidate for Outside Director	Independent Director/ Director	Date of Birth Sep. 13, 1942	No. of Company Shares Held 0 shares
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### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1966	Legal trainee	Jun. 2009	Outside Auditor of Tokyo Stock Exchange, Inc.
Apr. 1968	Prosecutor, Tokyo Public Prosecutor's Office	Jan. 2013	Outside Director of the Company (current position)
Dec. 1996	Deputy Chief Prosecutor, "		(Area of Responsibility)
Jun. 1998	Detective Superintendent, Ministry of Justice		Chairman of the Audit Committee
Dec. 1999	Vice Minister of Justice, Ministry of Justice		(Significant Concurrent Position(s))
Jun. 2004	Prosecutor-General, Supreme Public Prosecutor's Office		Attorney-at-law
Sep. 2006	Registration as Attorney-at-law (current position)		Outside Auditor, Toyota Motor Corporation
Jun. 2009	Outside Director, Tokyo Stock Exchange Group, Inc.		Outside Auditor, MITSUI & CO., LTD.
			Outside Auditor, Komatsu Ltd.
			Outside Auditor, Brother Industries, Ltd.
			Outside Auditor, Seven Bank, Ltd.
			Outside Auditor, TV Tokyo Holdings Corporation

### Reason for Candidature as Outside Director

Mr. Kunihiro Matsuo has been put forth as a candidate for outside director due to 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 the Company. In addition, while Mr. Matsuo has not been previously involved in corporate management other than in the capacity of outside director or outside auditor, based on the above reason, it was determined that Mr. Matsuo will be able to appropriately conduct the duties of an outside director.

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Candidate  
number

13

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## Shigeru Morimoto

Re- appointment Candidate for Outside Director	Independent Director	Date of Birth	No. of Company Shares Held
		Mar. 28, 1946	3,000 shares

### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Apr. 1969 Assistant, Faculty of Law, Kyoto University	Oct. 2011 Registration as Attorney-at-law (current position)
Aug. 1971 Assistant Professor, "	Jan. 2013 Outside Director of the Company (current position)
Jun. 1983 Professor, "	Outside Director of Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) (Significant Concurrent Position(s))
Apr. 1992 Professor, Graduate School of Law, "	Professor, Graduate School of Law, Doshisha University Attorney-at-law
Apr. 2009 Professor, Graduate School of Law, Doshisha University (current position)	
Jun. 2009 Outside Director (Member of the Board), Osaka Securities Exchange Co., Ltd.	

### Reason for Candidature as Outside Director

Mr. Shigeru Morimoto has been put forth as a candidate for outside director due to his insight on corporate legal affairs from a technical perspective as an academic which can be expected to be reflected into the management of the Company. In addition, while Mr. Morimoto has not been previously involved in corporate management other than in the capacity of outside director or outside auditor, based on the above reason, it was determined that Mr. Morimoto will be able to appropriately conduct the duties of an outside director.

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Candidate  
number

14

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## Charles Ditmars Lake II

Re- appointment Candidate for Outside Director	Independent Director	Date of Birth	No. of Company Shares Held
		Jan. 8, 1962	0 shares

### Brief Biography, Position, Area of Responsibility, and Significant Concurrent Position(s)

Aug. 1992 Director for Japan Affairs, Office of the U.S. Trade Representative (USTR), Executive Office of the President	Aug. 2007 Outside Director, Tokyo Stock Exchange Group, Inc.
Jul. 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, "	Jul. 2008 Representative and Chairman, American Family Life Assurance Company Japan Branch (Aflac Japan) (current position)
Jun. 1999 Vice President and Counsel, American Family Life Assurance Company of Columbus Japan Branch (Aflac Japan)	Jan. 2013 Outside Director of the Company (current position)
Jul. 2001 Deputy President, "	Jan. 2014 President, Member of the Board of Directors, Aflac International Incorporated (current position) (Area of Responsibility)
Jan. 2003 President and Representative in Japan, "	Member of the Compensation Committee (Significant Concurrent Position(s))
Apr. 2005 Vice Chairman and Representative in Japan, "	Representative and Chairman, American Family Life Assurance Company Japan Branch (Aflac Japan)
Jun. 2006 Outside Director, Tokyo Stock Exchange, Inc.	President, Member of the Board of Directors, Aflac International Incorporated

### Reason for Candidature as Outside Director

Mr. Charles Ditmars Lake II has been put forth as a candidate for outside director due to his considerable experience and insight on business management as a corporate executive which can be expected to be reflected into the management of the Company.

- (Note) 1. The candidates do not have any particular conflict of interest with the Company.
2. The following persons are candidates for Outside Director: Messrs. Christina Ahmadjian, Tsutomu Okuda, Hideaki Kubori, Michiko Tomonaga, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II.
3. The following persons are Independent Directors and have the obligation to protect the interests of general investors based on the rules of TSE: Messrs. Tsutomu Okuda, Hideaki Kubori, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II.
- The following persons are qualified as Independent Directors as defined by TSE and planned to be registered as Independent Directors to TSE: Messrs. Christina Ahmadjian and Michiko Tomonaga.
4. Violations of laws and regulations, articles of incorporation, or inappropriate business execution of candidate for outside director during term of office at other companies
- With regard to Mr. Hideaki Kubori, during his tenure as outside director of Nomura Securities Co., Ltd. said company was deemed to be in a state of business operation where necessary and appropriate measures to prevent unfair trading had not been implemented with regard to the management of corporate information pertaining to public offerings. Under such circumstances, said company was also deemed to have provided clients with corporate information on securities and other trading, and conducted acts of solicitation. On August 3, 2012, said company received a business improvement order from the Financial Services Agency pursuant to Article 51 of the Financial Instruments and Exchange Act. Mr. Kubori has since retired from the position at said company. As outside director of said company, he fulfilled his responsibilities and endeavored to ensure compliance with laws and regulations through the board of directors of said company.
- Toyota Motor Corporation, a company where Mr. Kunihiro Matsuo has served as an Audit & Supervisory Board Member since June 2007, entered into a deferred prosecution agreement with the U.S. Attorney's Office for the Southern District of New York on March 19, 2014 to resolve its investigation related to the company's 2009-2010 recalls to address potential "sticking" accelerator pedals and floor mat entrapment. He has regularly made recommendations from the perspective of legal compliance. Since the occurrence of the recalls and other matters mentioned in the agreement, he has promoted continued improvements for a thorough review of the "Customer First" policy.
5. Conclusion of limited liability agreement with candidate for outside director
- The Company has concluded limited liability agreements with Outside Directors Tsutomu Okuda, Hideaki Kubori, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II. The liability limit under such agreements is the minimum amount as set by the Act. Upon approval of the appointment of the individual candidates as outside directors, the Company shall succeed such agreements with Messrs. Tsutomu Okuda, Hideaki Kubori, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II. The Company also shall conclude such agreements with Messrs. Christina Ahmadjian and Michiko Tomonaga when they are elected as outside directors of the Company.
6. Number of years in office of candidate for outside director since assuming the position of outside director of the Company
- Of the candidates for outside director, as of this annual general shareholders meeting, the number of years in office of current Outside Directors of the Company since assuming their positions is as follows: Tsutomu Okuda: 8 years; Hideaki Kubori: 1 year and 6 months; Katsuhiko Honda: 1 year and 6 months; Kunihiro Matsuo: 1 year and 6 months; Shigeru Morimoto: 5 years; and Charles Ditmars Lake II: 1 year and 6 months.

## Business Report

( From April 1, 2013 to  
March 31, 2014 )

### I. Overview of Current Status of Corporate Group

#### 1. Business Report for Consolidated Fiscal Year

##### (1) Review and results of business operations

During this consolidated fiscal year, due to the Abe administration's economic policy and monetary easing by the Bank of Japan, consumer spending increased and corporate production improved, while the Japanese economy continued its modest recovery. The stock market also transitioned to firmer conditions, with TOPIX reaching 1202.89 points at the end of this fiscal year (up 168.18 points from the previous fiscal year).

Under such circumstances, the JPX group (meaning the corporate group comprising the Company and its subsidiaries in this Business Report) aimed for the realization of our future vision of becoming "the most preferred exchange in the Asian region providing high-quality services with creativity, reliability, and a dedication to the public," while working on initiatives based on our core strategies – "Creation of a new Japanese stock market," "Expansion of the derivatives market," and "Expansion of exchange business fields," set forth in our medium-term management plan. Equally, we focused on work toward the "Early realization of business combination benefits" and integrated our cash equity markets, self-regulatory functions, and clearing organizations on July 16, 2013 and also integrated the derivative markets on March 24, 2014.

The consolidated results of the JPX group during the fiscal year ended March 31, 2014 included operating revenue of JPY116,251 million, operating expenses of JPY 65,131 million, operating income of JPY 51,120 million, ordinary income of JPY 52,801 million, income before income taxes and minority interest of JPY 51,304 million, and net income of JPY 29,835 million.

##### ① Trading participation fees

The average daily trading value of domestic stocks in JPX group markets (TSE 1st and 2nd Sections, Mothers, OSE 1st and 2nd Sections, and JASDAQ) during this consolidated fiscal year was JPY 2,947.1 billion. The average daily trading volume for Nikkei 225 futures (total of large-sized and mini contracts (converted into large-sized contracts)) was 218,618 contracts, for TOPIX futures this was 94,297 contracts, and for 10-year JGB futures it was 34,975 contracts, while the trading value of Nikkei 225 options was JPY 40.0 billion. The annual total trading volume for derivatives reached a record high of 355,908,041 contracts.

During the fiscal year ended March 31, 2014, basic fees were JPY 1,183 million, transaction fees from cash equities and derivatives were JPY 32,058 million and JPY 13,288 million respectively, and other fees such as access fees and trading system facilities usage fees were JPY 7,625 million. As a result, trading participation fees came to JPY 54,155 million.

In this fiscal year, the JPX group pursued the following initiatives to invigorate the market.

##### (i) Develop New Stock Price Indices

In order to communicate the appeal of Japanese companies, promote continuous improvement of corporate value, and revitalize the stock market, JPX, Tokyo Stock Exchange, Inc. (TSE) and Nikkei Inc. jointly started to calculate a new stock price index called "JPX-Nikkei Index 400" on January 6, 2014. This index is composed of "companies with high appeal for investors," which meet requirements of global standards, such as efficient use of capital and investor-focused management.

##### (ii) Broaden the investor base

For the expansion of the investor base, we implemented the "+YOU Project." Specifically, to broaden the individual investor base, we held a total of 43 seminars for persons without investment experience, drawing more than 4,600 participants. We also held "Social Kabu-Con 2013," an idea contest to encourage investment and business activity, and some workshops with university students considering concrete plans to motivate young people to begin investing. In addition, with a view to providing individual investors with a reference for stock selection, we teamed up with the Ministry of Economy, Trade and Industry to release the "Nadeshiko Brand 2013," a list of companies which promote

active performance of females in their workforces and pro-actively support work-life balance. These +YOU project initiatives are introduced in greater detail on the “+YOU Portal Site,” alongside seminar reports, photos, and other artwork.

In addition to these efforts, as part of the Japanese stocks caravan project, our top-level executives visited 12 countries across the globe to communicate the appeal of Japanese stocks and offer information on trading rules and developments in the Japanese market to overseas institutional investors. For domestic institutional investors, we were engaged in activities aimed at encouraging ETF investment by financial institutions.

(iii) Revise trading rules

Trading rules were revised to optimize tick sizes of highly liquid stocks in three phases to further improve market convenience. Phase I for such optimization started on January 14, 2014 for TOPIX100 component issues.

Additionally, In Japan, short selling at prices below the most recent execution price had been prohibited, as a general rule (the “Uptick Rule”). As a result of the JPX group's efforts to harmonize with international rules, the Uptick Rule was revised on November 5, 2013 and applied to issues which fell 10% or more from the previous day's closing price.

(iv) Diversify and Promote Investment in ETF/J-REIT Markets

For the expansion of the ETF market, we pursued marketing activities to attract major overseas market makers, held events to promote the market, and engaged in initiatives to enrich investment information via various media. Efforts to further bolster our product lineup brought a pair of leveraged and inverse ETFs, 6 ETNs tracking leveraged and inverse indices of overseas markets, as well as 4 ETFs tracking JPX-Nikkei index 400. As a result, during the fiscal year, there were a total of 29 newly listed ETFs and ETNs on TSE and the average daily trading value of ETFs and ETNs reached a record high of JPY 118.0 billion, ranking 4th in the world and 1st in Asia.

With respect to the REIT market, we continued to provide support to companies preparing for listing while engaging in promotion activities such as holding and participating in events for individual investors and biannual global promotion activities for overseas institutional investors, as well as expanding the information available to investors through the "J-REIT view" website and “J-REIT Flash.” As a result of these efforts, the market saw 5 new issues listed and grew to have the 3rd highest market capitalization in the world. The average daily trading value in the J-REIT market reached a historic high of JPY 33.3 billion.

(v) Expand the derivatives market

Reflecting high needs of the derivatives linked to Asian indices, OSE launched yen-denominated futures contracts whose underlying is the CNX Nifty index, India's leading stock price index, on March 24, 2014. Additionally, the JPX group resumed trading of 20-year JGB Futures on April 7, 2014. The launch reflects the high needs of long-term JGB futures in Japanese bond markets because of the increase in the issuance and trading volume of long-term JGB issues, including interest-bearing 20-year government bonds.

In our rules, we extended the trading-hours of TOPIX Futures and Options as well as JGB Futures and Options on JGB Futures until 3 a.m. of the following morning.

In terms of sales and promotion activities, besides holding seminars and participating in events overseas, we have also held seminars for domestic investors together with securities firms and implemented a program for securities companies to support handling of new derivative products.

② Income from listing fees

This fiscal year saw an increase in the number of IPOs with 11 on the TSE 1st and 2nd Sections (down 1 company from last year), 28 on Mothers (up 3 companies), 13 on JASDAQ (same as last year), and 4 on TOKYO PRO Market (up 2 companies). These brought the number of companies to 2,355 on the TSE 1st and 2nd Sections (see Note 2) (up 28 companies), 195 on Mothers (up 10 companies), 863 on JASDAQ (note 3) (down 42 companies), and 6 on TOKYO PRO Market (up 3 companies).

(Note 2) Compared to the number including the OSE 1st and 2nd Sections (excluding companies cross-listed on TSE) during the period prior to the integration of TSE and OSE markets.

(Note 3) Compared to the number (excluding companies cross-listed on TSE) during the previous period.

As a result, fees from new and additional listings were JPY 5,287 million and annual listing fees were JPY 7,020 million, bringing the total for listing fees for this consolidated fiscal year to JPY 12,308 million. In this fiscal year, the JPX group pursued the following initiatives to invigorate the market.

In this fiscal year, initiatives were implemented with the aim of increasing IPOs to encourage domestic and overseas companies with investment appeal to pursue listing, communicate with local governments and companies, and promote listed companies. These were done through promotion activities for parties involved in IPO work, such as companies preparing for listing, securities companies, and audit firms, and support for companies preparing for listing in accordance with their characteristics and stage of growth.

#### ③ Income from information services

Income from information services for this fiscal year was JPY 16,116 million. In efforts to enrich our information businesses, TSE and Japan Securities Depository Center, Inc. have jointly worked on the enhancement of dissemination services for Corporate Action information, and they finally launched (1) Data feed services for domestic stock CA information via ISO20022 and (2) Basic information for corporate bonds, etc. (JASDEC-related issues), investment trusts (public offering), corporate bonds with subscription warrants, subscription warrants, and foreign stocks handled by JASDEC via XML format on February 24, 2014.

#### ④ Income from securities settlement

Income from securities settlement for this fiscal year was JPY 20,334 million.

To expand our clearing business for interest rate swaps (IRS), Japan Securities Clearing Corporation (JSCC) launched client clearing services for IRS receiving 5 clearing brokers on February 24, 2014.

Furthermore, JSCC merged with Japan Government Bond Clearing Corporation (JGBCC) on October 1, 2013 to further enhance its clearing functions and structure, market convenience, efficiency, and stability, including facilitating greater efficiency in both operations and systems.

#### ⑤ Initiatives to further enhance the convenience and reliability of market infrastructure

In addition to the initiatives mentioned above, as the core infrastructure of the Japanese capital market, the JPX group pursued the following initiatives to further enhance the convenience and reliability of its market infrastructure.

##### (i) Enhancing listed company governance

For the protection of general shareholders, TSE set forth “Independent Directors/Auditors Rules,” which request listing companies to secure at least 1 highly independent outside director or auditor. To enhance these rules, revisions were made in February 10, 2014 to the listing rules which request listing companies to make efforts to secure at least 1 highly independent outside director.

Additionally, TSE held seminars for directors and executive officers with KEIDANREN (Japan Business Federation) for the purpose of encouraging the spread of the management that aims to improve corporate value. In December 2013, TSE also selected winners of the Corporate Value Improvement Award, including 1 company for the grand prize and 4 companies for excellence awards. Furthermore, we held ICGN (International Corporate Governance Network) conference in Tokyo in March 2014 to promote the improvement of Japanese corporate governance.

##### (ii) Fulfilling self-regulatory functions in response to the evolving market environment

To provide a highly efficient and reliable market and ensure fair price formation and smooth circulation, we inspected trading participants in relation to HFT and the revision of margin transaction collateral. Additionally we worked on compliance support by publishing a handbook containing user-friendly explanations of the revised rules for margin transaction collateral.

In addition, we revised the new listing guidebook to promote understanding of listing examination and other procedures, held seminars for practical staff, promoted “preventative” listed company compliance by actively

announcing these actions to listed companies, and engaged in market surveillance in accordance with the evolving market environment.

(iii) Strengthen functions to propose policy recommendations and provide information

To achieve a desirable financial and securities tax regime for the growth and development of the Japanese stock market, we approached Japan Securities Dealers Association and expressed our desire for changes in the tax regime such as including consolidation of financial income taxes, tax exemptions for permanent establishments (PE), expansion of the defined contribution pension system, and improvements to NISA (the Japanese version of Investment Savings Accounts).

Furthermore, with a view toward increased competitiveness of the Japanese capital market, we held a “workshop on Japanese economics and financial and capital markets” where experts discussed the future of Japanese markets and submitted recommendation documents based on the discussions on December 17, 2013.

⑥ Operating expenses

During this fiscal year, personnel expenses was JPY 15,141 million, system maintenance and operation costs was JPY 11,642 million, and depreciation costs was JPY 13,413 million, system exploitation costs was JPY 7,608million. After accounting for goodwill of JPY 3,442 million, operating expenses came to JPY 65,131 million.

(2) Capital investment

Overall capital investment, including that for trading and clearing systems was about JPY 12.7 billion.

(3) Financing

There are no matters to report.

(4) Significant corporate restructuring, etc.

JGBCC became consolidated subsidiary of the Company by stock swap with JSCC on September 30, 2013.

JSCC merged with Japan Government Bond Clearing Corporation (JGBCC) on October 1.

(5) Acquisition or disposition of shares or equities in other companies, or subscription warrants, etc.

There are no matters to report.



## 2. Assets and Earnings in the Three Years Prior to the Year under Review

JPX group

(JPY million)

Classification	March 2013 Term (Apr. 2012 to Mar. 2013)	March 2014 Term (Apr. 2013 to Mar. 2014)
Operating revenue	71,708	116,251
Operating income	19,555	51,120
Ordinary income	21,631	52,801
Net income	10,941	29,835
Net income per share (JPY)	64.59	108.68
Total assets	1,276,386	1,403,713
Net assets	179,077	202,018
Net assets per share (JPY)	643.01	715.19

(Operating revenue)

(JPY million)

Classification	March 2013 Term	March 2014 Term
Trading participation fees	29,868	54,155
Listing fees	9,216	12,308
Income from information services	12,828	16,116
Income from securities settlement	10,916	20,334
Other operating revenue	8,879	13,336
Total	71,708	116,251

\*1 Due to the Company being established on January 1, 2013 following the business combination between TSE Group and OSE, only figures for this and previous consolidated fiscal year are provided.

For the previous fiscal term ended March 31, 2013, in accordance with the Accounting Standards for Business Combinations, etc. the previous consolidated financial statements of TSE Group shall be incorporated into the previous consolidated financial statements of the Company. As such, the previous consolidated financial results contains the total of the consolidated results of TSE Group during the period from April 1, 2012 to December 31, 2012 and the consolidated results of the Company during the period from January 1, 2013 to March 31, 2013. The asset and profit/loss situation of TSE Group for the 2 most recent consolidated fiscal terms before the fiscal term ended March 31, 2012 are included below.

\*2 Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, the net income per share and the net assets per share are calculated as if such stock split was implemented at the beginning of the previous consolidated accounting year.

<Reference> TSE Group

(JPY million)

Classification	March 2011 Term (Apr. 2010 to Mar. 2011)	March 2012 Term (Apr. 2011 to Mar. 2012)
Operating revenue	57,097	53,045
Operating income	13,596	9,159
Ordinary income	15,302	10,903
Net income (loss)	8,879	6,311
Net income (loss) per share (JPY)	3,905.07	2,775.98
Total assets	514,405	345,247
Net assets	124,782	127,122
Net assets per share (JPY)	53,606.95	54,801.89

The Company

(JPY million)

Classification	March 2013 Term (Apr. 2012 to Mar. 2013)	March 2014 Term (Apr. 2013 to Mar. 2014)
Operating revenue	18,643	12,248
Operating income	5,612	7,068
Ordinary income	6,358	8,444
Net income	3,637	7,380
Net income per share (JPY)	21.47	26.88
Total assets	193,658	165,956
Net assets	83,714	81,221
Net assets per share (JPY)	304.93	295.86

\*1 Due to the Company being established on January 1, 2013 following the business combination between TSE Group and OSE, only figures for this and previous fiscal year are provided.

For the previous fiscal term ended March 31, 2013, in accordance with the Accounting Standards for Business Combinations, etc., the previous consolidated financial results contains the total of the consolidated results of OSE during the period from April 1, 2012 to December 31, 2012 and the results of the Company during the period from January 1, 2013 to March 31, 2013. The asset and profit/loss situation of OSE for the 2 most recent consolidated fiscal terms before the fiscal term ended March 31, 2012 are included below.

\*2 Due to a 5-for-1 stock split which was conducted with an effective date of October 1, 2013, the net income per share and the net assets per share are calculated as if such stock split was implemented at the beginning of the previous consolidated accounting year.

<Reference> OSE

(JPY million)

C l a s s i f i c a t i o n	March 2011 Term (Apr. 2010 to Mar. 2011)	March 2012 Term (Apr. 2011 to Mar. 2012)
Operating revenue	22,984	22,494
Operating income	7,582	8,323
Ordinary income	8,453	9,177
Net income	9,156	5,466
Net income per share (JPY)	33,911.49	202.45
Total assets	670,811	453,203
Net assets	52,858	55,485
Net assets per share (JPY)	195,773.01	2055.02

### 3. Information Concerning the Parent Company and Major Subsidiaries

#### (1) Relationship with parent company

There are no matters to report.

#### (2) Major subsidiaries

Company Name	Address	Paid-in Capital	Percentage of Total (%) [indirect]	Principal Businesses
Tokyo Stock Exchange, Inc.	Chuo-ku, Tokyo	(JPY million) 11,500	100.0 %	Financial instruments exchange market operations
Osaka Exchange, Inc.	Chuo-ku, Osaka	4,723	100.0	Financial instruments exchange market operations, and financial instruments obligation assumption services
Tokyo Stock Exchange Regulation	Chuo-ku, Tokyo	3,000	100.0	Self-regulatory operations
Japan Securities Clearing Corporation	Chuo-ku, Tokyo	8,950	(Note)	Financial instruments obligation assumption services
TOSHO SYSTEM SERVICE CO., LTD.	Chuo-ku, Tokyo	100	80.0 [80.0]	System development, etc.

(Notes) 1. Tokyo Stock Exchange Regulation changed its corporate name to Japan Exchange Regulation on April 1, 2014.

2. The amount indicated under "Paid-in Capital" for Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) is non-stock capital.
3. The ownership ratio of Japan Securities Clearing Corporation is 99.2% of Class-A stock, 100.0% of Class-B stock, 58.2% of Class-C stock, and 52.9% of Class-D stock.

### 4. Issues Requiring Actions

The JPX group has laid out its future vision of becoming "the most preferred exchange in the Asian region providing high-quality services with creativity, reliability and a dedication to the public."

The medium-term management plan for FY2013 to FY2015 (released on March 26, 2013 and revised on April 28, 2014) is the first three-year plan toward the realization of our future vision. The JPX group aims to secure our overall competitive advantage as an exchange in the Asian region in terms of various aspects including reliability, liquidity, IPOs, market capitalization, and profitability. Through means such as the effective utilization of the mature market infrastructure of the JPX group in the Asian region and collaboration with other exchanges in Asia, we will strive to support Asian growth and grow our presence in the Asian market.

Based on this medium-term management plan, the JPX group will address the following key issues.

#### (1) Creation of a new Japanese stock market

- We will engage in initiatives to increase awareness of features and merits of JPX-Nikkei Index 400 (launched January 2014) to investors and improve its penetration through society with the aim of increasing recognition and promoting use by public pensions, etc.
- In order to support corporate growth through encouraging IPOs, we will engage in "seeding" activities among companies and related parties prior to listing preparation, offer "growth stage-based support" to companies preparing for listing, and extend our activities to "growth support" for newly listed companies.
- To invigorate the market through participant diversification, we will engage in initiatives to optimize tick sizes and expand trading hours.
- Based on the discussions of the government's "Panel for Vitalizing Financial and Capital Markets," JPX will propose specific policies toward revising current regulations and tax regime, and positioning the Tokyo market as

an international financial center.

- In order to improve the attractiveness of Japanese stock market from the perspective of domestic/overseas investors, JPX will promote the improvement of corporate governance of listed companies and the adoption of IFRS.

- In order to maintain the world-class competitive edge of our systems, we will further reduce latency (improve processing speed) by renewing arrowhead, and reinforce risk management functions associated with developments in electronic and high-speed trading.

- We aim to secure the top ETF market in Asia and the world's third largest REIT market in terms of assets under management and asset diversity.

(2) Expansion of the derivatives market

- We will encourage related parties to revise rules and regulations which impede expansion of the commodity derivatives market, and enter into the field of commodities in earnest. We will encourage related parties to revise rules and regulations which impede expansion of the commodity derivatives market, and enter into the field of commodities in earnest.

- We will select a developer for the next generation derivatives system and determine what financial products and exchange rules should be introduced at the new system's launch, thereby establishing a new market design.

- We will enrich and expand our JGB-related product lineups, launch derivative products based on JPX-Nikkei Index 400, develop and launch new products to cover OTC transactions and enhance the structure for promotional activities, while using client network know-how to expand trading by domestic institutional investors.

(3) Expansion of exchange business fields

- In response to the entry of overseas clearing institutions into Japan, we will further establish and expand clearing of yen-denominated Interest Rate Swap (IRS) trading via cross-margin for yen-denominated interest rate products. We plan to introduce clearing of foreign currency-denominated IRS as well.

(4) Asian Strategy

- We will support the establishment of a stock exchange and the cultivation of a capital market in Myanmar. We will also leverage the success of the Myanmar model through an all-Japan effort, with support from both public and private sectors, and apply this model in surrounding countries to contribute to Asian economic development.

- We will realize the listing of TOPIX ETFs, futures, and other products on Asian exchanges to increase awareness of TOPIX and its related products, as well as the prominence of the Japanese derivatives market.

- We will supply risk money to meet growing demands for industrial facilities and infrastructure in the ASEAN countries by using the PRO-BOND Market, developing a listed infrastructure market, and listing new funds from Asian issuers.

(5) Continuous medium-to-long term initiatives

- Through further expansion of the "+YOU Project" launched in fiscal year 2012, we will look to enhance awareness of the project and strengthen its association with investment activity so as to expand the individual investor base for Japanese stocks. We will also seek to bring depth to the investor base by improving the image of derivatives and spreading awareness of their social function.

- To improve confidence in the market, we will strive to fulfill our self-regulatory functions in response to the evolving market environment.

(6) Early realization of business combination benefits

- We will shift to a cost structure that responds flexibly to changes in the market environment by integrating overlapping systems, streamlining and reviewing operation bases, and improving operational efficiency and business execution systems throughout the entire JPX group, and aim to achieve cost reductions of JPY 8,500 million by the fiscal year ending March 31, 2016.

(7) Cultivation of a new corporate culture

- We will cultivate a new corporate culture that is efficient and creative, and change our mindset toward establishing the 4Cs (Customer First - prioritize customer needs, Credibility - build public confidence, Creativity - pursue innovative solutions, Competency - harness employee potential) in our corporate group.

#### 5. Principal Business (as of March 31, 2014)

The Company is a stock corporation licensed as a financial instruments exchange holding company under the Financial Instruments and Exchange Act to engage in the administration and management of its subsidiaries TSE, OSE, and Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation). The principal business of the JPX group is the establishment and operation of exchange financial instruments markets that are established by TSE and OSE.

#### 6. Main Offices (as of March 31, 2014)

The Company

Head Office	Chuo-ku, Tokyo
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Subsidiaries

Tokyo Stock Exchange, Inc.	Chuo-ku, Tokyo
Osaka Exchange, Inc.	Chuo-ku, Osaka
Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)	Chuo-ku, Tokyo
Japan Securities Clearing Corporation	Chuo-ku, Tokyo
TOSHO SYSTEM SERVICE CO., LTD.	Chuo-ku, Tokyo

#### 7. Employees (as of March 31, 2014)

JPX group

No. of employees	Compared to the previous fiscal year	Average age	Average years of employment
1,161	4 increase	41 years 7 months	16 years 1 months

(Note) The number of employees refers to persons working on a regular basis (excluding persons assigned temporarily to other entities by the JPX group but including persons assigned to work temporarily in the JPX group); temporary employees (including part-time workers and persons dispatched from employment agencies) are not included.

8. Lenders, Loans and Shares Held by Lenders (as of March 31, 2014)

Lender	Type of Loan	Outstanding Loans (JPY million)
The 77 Bank, Ltd.	Short-term loans	12,500
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Short-term loans	20,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Long-term loans	10,000

9. Other Important Items Related to the Corporate Group

(1) With regard to the lawsuit filed by Mizuho Securities Co, Ltd. (Mizuho Securities) against consolidated subsidiary Tokyo Stock Exchange, Inc. (TSE) claiming damages of JPY 41,578 million with respect to an erroneous order for the sale of shares of J-COM Co., Ltd., the Tokyo High Court partially amended the judgment of the court of first instance, which ordered TSE to pay damages (JPY 10,712 million and delinquency charges), and ordered Mizuho Securities to return the difference of JPY 342 million between the JPY 13,213 million, paid by TSE to exempt compulsory execution based on the initial judgment, and the JPY 12,870 amount in this judgment.

With regard to the appeal court judgment, Mizuho Securities Co., Ltd. filed a final appeal and the petition for acceptance of the final appeal. Tokyo Stock Exchange, Inc. filed an incidental final appeal and the petition for acceptance of the incidental final appeal to the Supreme Court, and litigation is ongoing.

(2) A wholly-owned subsidiary Osaka Securities Exchange Co., Ltd. changed its corporate name to Osaka Exchange, Inc. on March 24, 2014.

(3) A wholly-owned subsidiary Tokyo Stock Exchange Regulation changed its corporate name to Japan Exchange Regulation on April 1, 2014.

## II. Status of Shares (as of March 31, 2014)

(1) Total Authorized No. of Shares to be Issued 1,090,000,000

(Note) Total authorized no. of shares to be issued was increased 800,000,000 due to share split on October 1, 2013.

(2) Total No. of Shares Issued 274,534,550 (including 2,655 treasury stocks)

(Note) Total no. of shares issued was increased 219,627,640 due to share split on October 1, 2013.

(3) No. of Shareholders 21,970

(4) Major Shareholders

Rank	Name of Shareholder	No. of Shares Held	Percentage of Total
		shares	%
1	SMBC Friend Securities Co., Ltd.	7,643,300	2.78
2	Japan Trustee Services Bank, Ltd. (Trust Account)	7,620,700	2.78
3	THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	5,895,224	2.15
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,429,600	1.98
5	SAJAP	4,501,000	1.64
6	Mizuho Securities Co., Ltd.	4,418,100	1.61
7	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,778,500	1.38
8	Okachi Securities Co., Ltd.	3,575,000	1.30
9	TACHIBANA SECURITIES CO., LTD.	3,528,100	1.29
10	Ando Securities Co., Ltd.	3,234,000	1.18

## III. Status of Subscription Warrants(*shinkabu-yoyakuken*), etc.

There are no matters to report.



#### IV. Directors and Executive Officers of the Company

##### 1. Directors and Executive Officers (as of March 31, 2014)

###### (1) Board of Directors

Position	Name	Area of Responsibility	Significant Concurrent Position
Director	Masakazu Hayashi	Chairperson of the Board of Directors	
Director & Representative Executive Officer, Group CEO	Atsushi Saito	Group CEO; Chairman of the Nomination Committee; Member of the Compensation Committee	Director, Osaka Exchange, Inc.
Director & Representative Executive Officer, Group COO	Michio Yoneda	Group COO; Member of the Nomination Committee	Director, Tokyo Stock Exchange, Inc.
Director	Akira Kiyota		President & CEO, Tokyo Stock Exchange, Inc.
Director	Hiromi Yamaji		President & CEO, Osaka Exchange, Inc.
Director	Tsutomu Okuda	Chairman of the Compensation Committee	Senior Advisor, J. FRONT RETAILING Co., Ltd. Outside Director, Resona Holdings, Inc. Outside Corporate Auditor, Mainichi Broadcasting System Inc.
Director	Yuko Kawamoto	Member of the Nomination Committee	Professor, Graduate School of Finance, Accounting and Law, Waseda University Outside Corporate Auditor, Tokio Marine Holdings, Inc. Outside Director, Mitsubishi UFJ Financial Group, Inc.
Director	Hideaki Kubori	Member of the Nomination Committee	Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) Attorney-At-Law Representative, HIBIYA PARK LAW OFFICES Outside Auditor, SOURCENEXT CORPORATION Professor, Omiya Law School Member of the Supervisory Committee, the Norinchukin Bank
Director	Hiroyuki Nakatsukasa	Member of the Audit Committee	Representative of Nakatsukasa Certified Public Accountant/Certified Tax Accountant Office Outside Auditor, FURUSATO INDUSTRIES, LTD.
Director	Masayuki Hirose	Member of the Audit Committee	Statutory Auditor, Tokyo Stock Exchange, Inc.
Director	Katsuhiko Honda	Member of the Nomination Committee	Corporate Counselor, Japan Tobacco Inc. Member of the Board of Governors, Japan Broadcasting Corporation
Director	Kunihiro Matsuo	Chairman of the Audit Committee	Attorney-At-Law Outside Corporate Auditor, Toyota Motor Corporation Outside Corporate Auditor, MITSUI & CO., LTD. Outside Corporate Auditor, Komatsu Ltd Outside Auditor, BROTHER INDUSTRIES, LTD. Outside Corporate Auditor, Seven Bank, Ltd. Outside Corporate Auditor, TV Tokyo Holdings Corporation
Director	Shigeru Morimoto		Professor, Graduate School of Law, Doshisha University Attorney-at-Law

Position	Name	Area of Responsibility	Significant Concurrent Position
Director	Charles Ditmars Lake II	Member of the Compensation Committee	Representative and Chairman, American Family Life Assurance Company of Columbus Japan Branch (Aflac Japan) President, Member of the Board of Directors, Aflac International Incorporated

(Notes)

1. The following persons are Outside Directors: Messrs. Tsutomu Okuda, Yuko Kawamoto, Hideaki Kubori, Hiroyuki Nakatsukasa, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II.
2. The following persons are Independent Directors and have the obligation to protect the interests of general investors based on the rules of Tokyo Stock Exchange, Inc.: Messrs. Tsutomu Okuda, Yuko Kawamoto, Hideaki Kubori, Hiroyuki Nakatsukasa, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II.
3. Concurrent positions held by outside directors include those at subsidiaries Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc., as well as Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation), a wholly-owned subsidiary. As for the other companies at which concurrent positions are held, the Company does not have any significant capital or transactional relationship requiring special mention.
4. Director and Member of the Audit Committee Hiroyuki Nakatsukasa is a certified public accountant and a certified tax accountant, and holds a respectable degree of knowledge on finance and accounting.
5. Director Masakazu Hayashi retired from the position on the following date: President, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) on June 18, 2013.  
Director Michio Yoneda retired from the position on the following date: Outside Director, Osaka Small and Medium Business Investment & Consultation Co., Ltd. on June 24, 2013.  
Director Yuko Kawamoto retired from the following position on the following date: Outside Director, ITOCHU Corporation on June 21, 2013; Outside Director, Monex Group, Inc. on June 22, 2013.  
Director Hiroyuki Nakatsukasa retired from the position on the following date: Outside Auditor, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) on June 18, 2013.  
Director Kunihiro Matsuo retired from the position on the following date: Outside Statutory Auditor, Tokyo Stock Exchange, Inc. on June 18, 2013.  
Director Shigeru Morimoto retired from the position on the following date: Outside Director, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.) on July 15, 2013.

## (2) Executive Officers

Position	Name	Area of Responsibility	Significant Concurrent Position
Director & Representative Executive Officer, Group CEO	Atsushi Saito	Group CEO	Refer to "(1) Board of Directors"
Director & Representative Executive Officer, Group COO	Michio Yoneda	Group COO	Refer to "(1) Board of Directors"
Executive Vice President & CIO	Yoshinori Suzuki	CIO, IT Planning	Senior Managing Director, Tokyo Stock Exchange, Inc. Executive Vice President, Osaka Exchange, Inc.
Senior Executive Officer	Koichiro Miyahara	Human Resources	
Senior Executive Officer	Kotaro Yamazawa	Corporate Strategy, and Corporate Communications	Director and Managing Director, Osaka Exchange, Inc.
Senior Executive Officer	Yoshinori Karino	IT Planning	Director and Managing Director, Osaka Exchange, Inc.
Senior Executive Officer	Moriyuki Iwanaga	CFO, Treasury	Senior Executive Officer, Tokyo Stock Exchange, Inc. Director, Japan Securities Clearing Corporation Outside Director, Japan Securities Depository Center
Executive Officer	Norio Iwasaki	General Administration	Executive Officer, Tokyo Stock Exchange, Inc.
Executive Officer	Masahiko Maruyama	General Administration	Executive Officer, Osaka Exchange, Inc.

(Note) Executive Vice President Yoshinori Suzuki retired from the position on the following date: President & CEO, TOSHO SYSTEM SERVICE CO.,LTD. on June 19, 2013.

Senior Executive Officer Koichiro Miyahara retired from the position on the following date: Senior Executive Officer, Tokyo Stock Exchange, Inc. on June 18, 2013.

Senior Executive Officer Kotaro Yamazawa retired from the position on the following date: Director, Japan Securities Clearing Corporation on June 25, 2013.

## 2. Policies Regarding Decisions on Compensation for Directors and Executive Officers

Compensation for directors and executive officers of the Company is comprised of basic salary, bonus, and company stock, and is determined by the Compensation Committee.

Basic salary is consideration for daily business execution and participation in management commensurate with each position and its duties. Bonus is incentive for improving corporate performance for a fiscal year. The total amount of bonus is determined based on corporate performance, which is then distributed to each executive officer based on basic salary and the degree of contribution. Company stock is incentive for raising medium-to-long term corporate value and is an amount commensurate with each position and its duties that is allocated to purchasing shares of the Company.

## 3. Compensation Paid to Directors and Executive Officers

Classification	No. of Recipients	Amount Paid (JPY million)
Directors [of which Outside Directors]	10 (8)	102 (44)
Executive Officers	9	448

(Notes)

1. Persons serving as both Directors and Executive Officers do not receive compensation as Directors.

2. The above amounts include JPY 158 million paid in bonuses to Executive Officers as decided in the Compensation Committee on April 17, 2013.

3. During the fiscal year under review, JPY 6 million in total was separately paid out to Outside Directors as compensation by Tokyo Stock

4. Item Related to Outside Directors and Outside Statutory Auditors

(1) Primary activities during the fiscal year

Position	Name	Primary Activities
Director	Tsutomu Okuda	Attended all 11 Board of Directors meetings held during the business year under review; attended all 2 Compensation Committee meeting held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Yuko Kawamoto	Attended all 11 Board of Directors meetings held during the business year under review; attended all 3 Nomination Committee meeting held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Hideaki Kubori	Attended all 11 Board of Directors meetings held during the business year under review; attended all 3 Nomination Committee meeting held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Hiroyuki Nakatsukasa	Attended all 11 Board of Directors meetings held during the business year under review; attended all 12 Audit Committee meetings held in the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Katsuhiko Honda	Attended all 11 Board of Directors meetings held during the business year under review; attended all 3 Nomination Committee meeting held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Kunihiro Matsuo	Attended 9 of the 11 Board of Directors meetings held during the business year under review; attended 10 of the 12 Audit Committee meetings held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Shigeru Morimoto	Attended all 11 Board of Directors meetings held during the business year under review; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.
Director	Charles Ditmars Lake II	Attended 10 of the 11 Board of Directors meetings held during the business year under review; attended all 2 Compensation Committee meeting held during the same period; made statements that were relevant to the deliberation of agenda items, contributed such statements in an appropriate way.

(2) Summary of limited liability agreements

The company has concluded limited liability agreements with Outside Directors Tsutomu Okuda, Yuko Kawamoto, Hideaki Kubori, Hiroyuki Nakatsukasa, Katsuhiko Honda, Kunihiro Matsuo, Shigeru Morimoto, and Charles Ditmars Lake II pursuant to Article 423, Paragraph 1 of the Companies Act. The liability limit under such agreements was a minimum amount as set by the Act.

## V. Accounting Auditor

### 1. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

### 2. Compensation Paid to Accounting Auditor

Compensation, etc. paid to Deloitte Touche Tohmatsu LLC

	Amount Paid
1) Total fees, etc. paid to the Accounting Auditor by the Company and its subsidiaries	JPY 142million
2) Of the total in 1), the amount of fees, etc. paid as a consideration for audit certification under Article 2, Paragraph 1 of the Certified Public Accountants Act	JPY 82 million
3) Of the total in 2), the total amount of fees, etc. to the Accounting Auditor	JPY 23 million

### 3. Non-audit Services

The Company paid consideration to Deloitte Touche Tohmatsu LLC for advisory work and guidance concerning International Financial Reporting Standards (IFRS) pertaining to financial reporting, which is the service other than the services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

### 4. Policy Regarding Decisions to Dismiss or Not Reappoint the Accounting Auditor

The Audit Committee shall submit a proposal to the general shareholders meeting on the dismissal of the Accounting Auditor or recommending against its reappointment in the event that the Committee determines that such action is necessary in light of a comprehensive assessment of the Accounting Auditor's independence, trustworthiness, or other conditions related to the performance of its duties.

In addition, if the provisions of items of Article 340, Paragraph 1 of the Companies Act are found to apply to the Accounting Auditor, the Company shall dismiss the Accounting Auditor.

### 5. Matters Related to Limited Liability Agreement

There are no matters to report.

## VI Matters Related to Organizational Improvements Designed to Ensure Appropriate Execution of Operations

The Company has made a number of decisions regarding its structures to ensure that executive officers carry out their duties in compliance with the law and with the Articles of Incorporation, and that other company operations are conducted appropriately.

### 1. Matters Related to Directors and Employees who Support the Audit Committee in Performing Its Duties

- The Company shall establish a set of internal rules known as "Regulations Regarding Employees who Support the Audit Committee in Performing Its Duties" to prescribe certain matters for employees who support the Audit Committee in its operations, and shall apply these rules appropriately. These regulations shall include the following provisions.

- (1) Employees attached to the Audit Committee Office shall assist the Audit Committee in performing its duties and shall obey directions and orders issued by the committee.
- (2) There shall be at least four employees attached to the Audit Committee Office, including one director of the office.

### 2. Matters Related to the Independence of Directors and Employees from Executive Officers

- In order to ensure the independence of employees attached to the Audit Committee Office, the Company shall establish a set of internal rules known as "Regulations Regarding Employees who Support the Audit Committee in Performing Its Duties" and shall apply them appropriately. These regulations shall include the following provisions:

- (1) Prior approval shall be obtained from the Audit Committee (or from a specified committee member in the event that the Audit Committee has appointed such a member) regarding matters concerned with hiring, transfer, performance evaluations, salaries, or reprimands of employees attached to the Audit Committee Office.
- (2) Executive officers and employees shall be careful not to undermine the independence of employees attached to the Audit Committee Office through actions that may unfairly restrict the execution of duties by such employees.

### 3. System Governing Reporting by Executive Officers and Employees to the Audit Committee and System Related to Other Reporting to the Audit Committee

- To develop a system for reporting to the Audit Committee, the Company shall establish a set of internal rules known as "Regulations Regarding Reporting, etc. to the Audit Committee" and shall apply them appropriately. These regulations shall include the following provisions:

- (1) When the Audit Committee or a member of the Audit Committee who has been designated by the committee requests a report on operations, executive officers and employees shall promptly submit such a report.
- (2) In the event that any executive officer or employee discovers something that may significantly affect the operations or the financial condition of the Company, its subsidiaries, or its affiliates, such officer or employee shall immediately report the details of the problem to the Audit Committee or to a member of the Audit Committee who has been designated by the committee.

### 4. System for Ensuring that Audits by the Audit Committee are Carried Out Effectively

- To ensure that audits by the Audit Committee are carried out effectively, the Company shall establish a set of internal rules known as "Regulations Regarding Reporting, etc. to the Audit Committee" and shall apply them appropriately. These regulations shall include the following provisions:

- (1) Representative executive officers shall hold periodic meetings with the Audit Committee, or with a member of the Audit Committee who has been designated by the committee, to exchange opinions on the following: management policies; issues requiring a response by the Company; serious risks that could affect the Company; creating an environment favorable for conducting audits; and important audit-related issues, etc.
- (2) When the Audit Committee or a member of the Audit Committee requests payment of expenses for advice sought from lawyers, CPAs or other outside experts to conduct an audit, or for the commissioning of research, appraisals or other activities to such outside experts, the executive officers and employees concerned shall not refuse such requests, except when it is clear that the expenses related to such requests are unnecessary for the

execution of duties by the Audit Committee or by a member of the Audit Committee.

5. System to Ensure that Executive Officers and Employees Fulfill their Duties in Accordance with Applicable Laws and Regulations, and with the Company's Articles of Incorporation
  - The Company shall establish regulations for the Board of Directors, regulations for the Committee of Executive Officers, job function-related regulations, etc., and it shall conduct its operations based on the separation of duties and authorities provided for under these regulations.
  - The Company shall adopt a compliance program and implement the following measures:
    - (1) Establish internal regulations on compliance (including regulations related to information management), including a Charter of Corporate Behavior and code of conduct for employees, which shall stipulate universal values and specific action guidelines with which persons belonging to the Company, the TSE, OSE and Japan Exchange Regulation (the respective JPX group companies) must comply from the standpoint of corporate ethics; and require that the respective JPX group companies share and adhere to these internal regulations.
    - (2) As part of its internal compliance system, establish the positions of Chief Compliance Officer (CEO), Director in Charge of Compliance (Executive Officer in Charge of General Affairs), and Secretariat for Compliance-related Operations (within the Department of General Affairs).
    - (3) Establish and operate a "Compliance Hotline" to provide whistleblowers with protection that is accessible to persons working in the Company and its subsidiaries.
    - (4) As part of an ongoing program for awareness and education, hold liaison meetings comprising persons in charge of compliance in the various departments and offices of respective JPX group companies, distribute information related to compliance over the Company intranet, and conduct training through e-learning.
  - Based on its Charter of Corporate Behavior, the JPX group shall respond in the following resolute manner to rid the market of criminal and extremist elements:
    - (1) The JPX group shall confront and deal resolutely with criminal and extremist elements that threaten the order and safety of civil society and work to cut off all relations with such elements.
    - (2) By preventing criminal and extremist elements from becoming involved in the financial instruments market, the JPX group shall endeavor to build sound and fair markets.
  - The Company shall establish an Internal Auditing Office under the direct jurisdiction of the CEO and COO and conduct internal audits.
6. System for Storing and Managing Information on the Execution of Duties by Executive Officers
  - Based on standard for the securing of information shared by the respective JPX group companies, the Company shall establish regulations on the handling of documents related to the execution of duties by executive officers, including minutes of Board of Executive officers meetings; and apply such regulations appropriately.
7. Regulations and Other Systems Related to Risk Management
  - To ensure appropriate risk management, the Company shall carry out its operations in accordance with the occupational duties and authorities clearly defined in its internal regulations. Fundamentally, operations shall be carried out with the understanding that each group – directors, executive officers, and employees – is responsible for risk management in accordance with its members' specific duties and authorities.
  - The Company shall establish rules for a Risk Management Committee that the respective JPX group companies can agree to and accept. With respect to risks affecting the respective JPX group companies, each company shall take steps to improve its ability to recognize risk-related phenomena and take appropriate action from the standpoint of prevention. In the event that risks materialize or are likely to materialize, the Risk Management Committee, headed by the CEO, shall take action that results in gaining "a comprehensive grasp of the situation" and in the implementation of "responses aimed at a rapid resolution of the situation."
  - In particular, the JPX group companies shall remain fully cognizant of the fact that its essential duty as a market operator is to provide market participants with the opportunity to trade with confidence, and to do so in a stable and reliable manner. With respect to the risks of systems failing to operate in a stable manner, the group shall take all

necessary steps to minimize such risks as it proceeds with the development and operations of these systems. These steps shall include adopting standardized development methods and performing a sufficient number of operational tests to confirm reliability, developing detailed operations manuals and requiring strict adherence to these manuals, ensuring quality control in development and maintenance operations by specialized departments established for this purpose. In addition, to deal with situations in which continuation of market operations is threatened by natural disasters, terrorist acts, or other such problems, the JPX group shall endeavor to respond appropriately by developing a "Basic Plan for Business Continuity" for the respective JPX group companies under this plan. It shall seek to minimize the impact on related parties and to put into place beforehand the necessary systems and procedures that will enable the resumption of operations in the shortest possible time.

- In view of the importance of the self-regulatory functions of a market operator such as the JPX group, as well as of society's significant expectations for greater efficacy of its self-regulatory functions, there is a risk that the group will be unable to effectuate self-regulation in an appropriate manner (including a risk to the reputation of the group if self-regulation is not conducted appropriately). In this regard, the group shall take every possible step to prevent such situations from arising, including implementing organizational measures designed to ensure the independence of its self-regulatory operations and guarantee fairness, and aggressively investing management resources into measures that enhance the quality of its self-regulatory operations. The latter shall include developing detailed operational manuals and requiring strict adherence to these manuals, while also providing for improved and more effective education and training.

#### 8. System for Ensuring that Executive Officers Fulfill their Duties Efficiently

- The respective JPX group companies shall operate according to a system in which work is performed in accordance with duties and authorities that are clearly defined in each company's internal regulations, and shall aim to increase its areas of expertise and sophistication through such division of responsibility. At the same time, the system shall enable delegation of occupational authority according to the degree of importance of the respective tasks and with the aim of increasing the speed and agility of the decision-making processes.
- The group shall develop and adopt a medium-term management plan and annual budgets for the Company and all its affiliates, including its subsidiaries and affiliated companies. It will formulate these plans and budgets by appropriately combining top-down directives from management with bottom-up input from the operations divisions, and shall seek to increase its operating efficiency through appropriate reviews of the progress made under these plans and budgets.

#### 9. System for Ensuring the Appropriateness of Business Operations of the Corporate Group Comprising the Company, Its Parent Company, and Its Subsidiaries

- The fundamental idea of this system is to establish organizational frameworks that enable the Company and the group's subsidiaries to take appropriate action autonomously. Upon achieving this, the Company shall endeavor to ensure appropriate corporate group operations by implementing suitable management and support for its subsidiaries.
- Each subsidiary shall conduct its operations in accordance with operational duties and authorities that are clearly defined in the internal regulations of the respective companies; they shall establish codes of conduct for their employees and apply these codes in an appropriate manner.
- Based on management agreements and regulations related to managing affiliates, the Company shall receive reports and engage in monitoring qualitative information from its affiliates, and provide advice as necessary on matters related to risk management and compliance.
- The directors and employees of the subsidiaries shall have access to the "Compliance Hotline," which the Company shall establish to provide a reporting system for whistleblowers.
- Depending on the nature of its operations and the size of such operations, each subsidiary shall carry out its own internal audits or shall have the Company's Internal Auditing Office conduct internal audits of its operations.



## VII Policy Regarding Decisions on Dividends Paid Out of Retained Earnings, etc.

While maintaining an awareness of the necessity of internal reserves for the purpose of system development for improving our competitiveness and improving self-regulatory functions as an exchange, and for the purpose of being prepared for risks as a clearing institution, the JPX Group makes it a principle to conduct stable and continuous payment of dividends, specifically aiming at a target dividend payout ratio of approximately 40%.

Furthermore, the Company stipulates "Except as otherwise provided by laws and regulations, the Company shall decide on matters provided in each item of Article 459, Paragraph 1 of the Companies Act including dividends paid out of retained earnings by resolutions of the Board of Directors, but not by resolutions of the general shareholders meeting" in the Articles of Incorporation.

## VIII Basic Policy Regarding Control of the Company

The Company has not prescribed a basic policy or takeover defense measures related to entities controlling decisions on the Company's finances or business.

However, the following legal provisions exist regarding the acquisition/holding of a certain amount or more of the Company's stock.

### (Reference) Related Law Excerpts

#### ① Article 103-2, Paragraph 1 of the Financial Instruments and Exchange Act

No person shall acquire or hold voting rights (excluding the voting rights specified by a Cabinet Office Ordinance taking into consideration the manner of acquisition or holding and any other circumstance; hereinafter referred to as the "Subject Voting Rights" in this Chapter) equal to or greater than 20 percent (or 15 percent when there are facts specified by a Cabinet Office Ordinance as facts estimated to have material influence on the decision of the financial and operational policies; hereinafter referred to as the "Holding Ratio Threshold" in this Chapter) of the voting rights of all shareholders of a Stock Company-Type Financial Instruments Exchange; provided, however, that this shall not apply to the cases where an Authorized Financial Instruments Firms Association, a Financial Instruments Exchange, a Financial Instruments Exchange Holding Company, a Commodities Exchange, or a Commodities Exchange Holding Company acquires or holds the Subject Voting Rights.

#### ② Article 106-14, Paragraph 1 of the Financial Instruments and Exchange Act

No person shall acquire or hold Subject Voting Rights equal to or greater than the Holding Ratio Threshold of the voting rights of all shareholders of a Financial Instruments Exchange Holding Company; provided, however, that this shall not apply to the cases where an Authorized Financial Instruments Firms Association, a Financial Instruments Exchange, or a Commodities Exchange acquires or holds the Subject Voting Rights.

#### ③ Article 106-17, Paragraph 1 of the Financial Instruments and Exchange Act

Notwithstanding the provisions of Article 106-14(1), the Local Government, etc. may, with an authorization of the Prime Minister, acquire or hold the Subject Voting Rights not less than the Holding Ratio Threshold, but not more than 50 percent of the Holding Ratio Threshold of the voting rights of all shareholders of a Financial Instruments Exchange Holding Company, pursuant to the provisions of a Cabinet Office Ordinance.

(Regarding the figures presented in this report on operations: monetary values and numbers of shares are rounded down to the nearest whole number of the units used; percentages are rounded off to the nearest decimal place.)



**Consolidated Statement of Income**

(From April 1, 2013 to March 31, 2014)

	<b>(million yen)</b>
<b>Operating revenue</b>	<b>116,251</b>
Trading participant fees	54,155
Listing fees	12,308
Income from information services	16,116
Income from securities settlement	20,334
Other	13,336
<b>Operating expenses</b>	<b>65,131</b>
<b>Operating income</b>	<b>51,120</b>
<b>Non-operating income</b>	<b>1,786</b>
Interest income	248
Dividend income	1,275
Share of profit of entities accounted for using equity method	55
Other	206
<b>Non-operating expenses</b>	<b>105</b>
Interest expenses	81
Share issuance cost	14
Other	8
<b>Ordinary income</b>	<b>52,801</b>
<b>Extraordinary losses</b>	<b>1,497</b>
Impairment loss	1,203
Extra retirement payments	203
Other	89
<b>Income before income taxes and minority interests</b>	<b>51,304</b>
Income taxes - current	22,357
Income taxes - deferred	(1,125)
<b>Income before minority interests</b>	<b>30,072</b>
Minority interests in income	236
<b>Net income</b>	<b>29,835</b>

**Consolidated Statement of Changes in Shareholders' Equity**

(From April 1, 2013 to March 31, 2014)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,500	59,726	96,213	—	167,440
Changes of items during period					
Dividends of surplus			(8,785)		(8,785)
Net income			29,835		29,835
Purchase of treasury shares				(5)	(5)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	21,050	(5)	21,045
Balance at end of current period	11,500	59,726	117,264	(5)	188,485

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9,088	—	9,088	2,548	179,077
Changes of items during period					
Dividends of surplus			—		(8,785)
Net income			—		29,835
Purchase of treasury shares			—		(5)
Net changes of items other than shareholders' equity	(1,082)	(149)	(1,231)	3,127	1,896
Total changes of items during period	(1,082)	(149)	(1,231)	3,127	22,941
Balance at end of current period	8,006	(149)	7,857	5,675	202,018

## **I. Notes regarding important items underlying the preparation of the consolidated financial statements**

### 1. Item related to the scope of consolidation

Number of consolidated subsidiaries: five

Names of consolidated subsidiaries:

Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., Tokyo Stock Exchange Regulation, Japan Securities Clearing Corporation, and TOSHO SYSTEM SERVICE CO., LTD.

Of the above consolidated subsidiaries, Osaka Exchange, Inc. changed its corporate name from Osaka Securities Exchange Co., Ltd. in this fiscal year, and Japan Exchange Regulation also changed its name from Tokyo Stock Exchange Regulation on April 1, 2014.

### 2. Item related to application of the equity method

(1) Number of associates accounted for by the equity method: three

Names of associates accounted for by the equity method:

Japan Securities Depository Center, Inc., ICJ, Inc., and Tosho Computer Systems Co., Ltd.

Japan Government Bond Clearing Corporation became a consolidated subsidiary through share exchange with the consolidated subsidiary, Japan Securities Clearing Corporation conducted with an effective date of September 30, 2013. The two companies subsequently conducted a merger with an effective date of October 1, 2013, where Japan Government Bond Clearing Corporation was absorbed and dissolved and Japan Securities Clearing Corporation was the surviving company.

For details on the transaction, please refer to "VI. Notes relating to Business Combination"

(2) Associates not accounted for by the equity method:

From the perspective of current net income and loss (amount corresponding to equity holdings) and retained earnings (amount corresponding to equity holdings), the effect of Emissions Trading Exchange Preparatory Corporation, Inc. on the consolidated financial statements is minimal, even if excluded from the equity method, and because it has no overall importance, the corporation shall be excluded from the scope of application of the equity method.

### 3. Items related to accounting standards

(1) Standards and methods of asset valuation

1) Securities:

- Held-to-maturity debt securities: Amortized cost method (straight-line method)

- Other securities:

Securities with market value: Market value method based on average market prices over a one-month period prior to the closing date of the fiscal year (differences in valuation are included in net assets, and the cost of securities sold is calculated using the moving average method)

Securities without market value: Cost method based on the moving-average method

2) Inventories:

Work in process: Cost method based on the specific-cost method (method by which the book value is reduced based on decline in the profitability of inventories for measurement on the balance sheet)

(2) Methods of depreciation of non-current assets

1) Property, plant and equipment:

The straight-line method is used.

2) Intangible assets:

The straight-line method is used. The straight-line method based on the expected period of use (5 years) is used for software for internal use.

(3) Accounting for deferred assets

Share issuance cost

Share issuance costs are accounted for as expenses in full when incurred

(4) Standards for allowances and provision

1) Allowance for doubtful accounts:

Allowance for doubtful accounts is provided to protect against potential losses on collection. For ordinary debt, the amount is calculated using the historical bad debt ratio; for specific debt with a possibility of default or bankruptcy, the estimated irrecoverable amount is calculated considering the possibility of recovery of the individual debt.

2) Provision for bonuses:

For payment of employee bonuses, allowance is provided for the portion of the total anticipated bonuses that is attributable to the current period.

3) Provision for directors' bonuses:

For payment of bonuses to directors, governors, and executive officers, allowance is provided for the portion of the total anticipated bonuses that is attributable to the current period.

(5) Other significant matters which constitute the basis for preparation of the consolidated financial statements

1) Translation of foreign currency-denominated assets and liabilities into yen

Foreign currency-denominated assets and liabilities are translated into yen based on the exchange rate as of the closing date of the fiscal year. Other securities are translated into yen based on the average exchange rate over a one-month period prior to the closing date of the fiscal year.

2) Accounting for obligation assumption

Obligations and claims, which are assumed and acquired in the financial instruments obligation assumption service and the business specified under Article 156-6, Paragraph 1 of the Financial Instruments and Exchange Act, are accounted for at the point of settlement of such obligations and claims.

3) Accounting for retirement benefits

a. Attribution method for projected benefit obligation

In calculating projected benefit obligation, the straight-line method is applied to attributing projected benefit obligation up to the end of current fiscal year.

b. Amortization of unrecognized actuarial gains and losses, prior service costs, and differences arising from adoption of new accounting standards

Unrecognized differences arising from the adoption of new accounting standards are accounted for as expenses using the straight-line method over a fixed period (15 years).

Unrecognized actuarial gains and losses are accounted for as expenses from the next fiscal year following their occurrence using the straight-line method over a fixed period (10 years), which is within the average remaining service years of employees as of the date of their occurrence.

Unrecognized prior service costs are accounted for as expenses using the straight-line method over a fixed period (10 years), which is within the average remaining service years of employees as of the date of their occurrence.

4) Accounting for consumption taxes, etc.

Consumption taxes and local consumption taxes are not included in transaction amounts.

5) Goodwill amortization and amortization period

Goodwill amortization on and after the effective date is conducted by the straight-line method over a period, etc. (20 years) during which the effect of investment shall be recognized.

#### 4. Changes of accounting policy

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereafter "Accounting Standard for Retirement Benefits") and the Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereafter "Guidance on Retirement Benefits") have been applied (excluding the provisions in the first sentence of Paragraph 35 of the Accounting Standard for Retirement Benefits and the first sentence of Paragraph 67 of the Guidance on Retirement Benefits) from the end of this consolidation fiscal year. As such, retirement benefit liabilities less plan assets are recognized under net defined benefit liability, and unrecognized actuarial gains or losses and unrecognized prior service costs are recorded in net defined benefit asset and net defined benefit liability.

The Accounting Standard for Retirement Benefits is applied in accordance with transitional treatment in Paragraph 37 thereof, and effect of the change in accounting policy is reflected in the remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result, for the end of this consolidation fiscal year, ¥2,914 million was included in net defined benefit asset, ¥7,465 million was included in net defined benefit liability, and accumulated other comprehensive income decreased by ¥149 million. The effect on per share information is not significant.

#### 5. Changes in presentation

##### (1) Change in presentation of trading participant penalties

"Trading participant penalty" was presented as an individual item in the previous fiscal year. However, due to falling below one-tenth of overall non-operating income, it has been included in "Other" from the current fiscal year.

##### (2) Change in presentation of share issuance cost

"Share issuance cost" was included under "Other" of "Non-operating expenses" in the previous fiscal year. Due to its increased significance, "Share issuance cost" is presented as an individual item from the current fiscal year.

#### 6. Notes Pertaining to Change in Accounting Estimates

In this consolidation fiscal year, Osaka Exchange, Inc., a consolidated subsidiary, conducted a review of the useful life of the fixed assets whose period of use became shorter due to the decision to transition to other systems. Due to this review, operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ended March 31, 2014 decreased by ¥695 million respectively in comparison with those calculated by the previous method.

## II. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment: JPY 19,295 million

2. Guarantee:

Guarantee for employee housing loans from financial institutions: JPY 2,528 million

3. Legal disputes

With regard to the lawsuit filed by Mizuho Securities Co., Ltd. (Mizuho Securities) against the consolidated subsidiary, Tokyo Stock Exchange, Inc. (TSE) claiming damages of JPY 41,578 million with respect to an erroneous order for the sale of shares of J-COM Co., Ltd., the Tokyo High Court partially amended the judgment of the court of first instance, which ordered TSE to pay damages (JPY 10,712 million and delinquency charges), and ordered Mizuho Securities to return the difference of JPY 342 million between the JPY 13,213 million, paid by TSE to exempt compulsory execution based on the initial judgment, and the JPY 12,870 amount in this judgment.

With regard to the appeal court judgment, Mizuho Securities Co., Ltd. filed a final appeal and the petition for acceptance of the final appeal. Tokyo Stock Exchange, Inc. filed an incidental final appeal and the petition for acceptance of the incidental final appeal to the Supreme Court, and litigation is ongoing.

4. Assets and liabilities based on systems designed to ensure the safety of securities trading

The Company's subsidiaries, Tokyo Stock Exchange, Inc., Osaka Exchange, Inc. and Japan Securities Clearing Corporation (collectively "the Exchange, etc."), have established clearing deposits and other systems based on the Financial Instruments and Exchange Act and the related regulations of the Exchange, etc., as a means of ensuring the safety of securities trading in the market. Acting as a clearing organization for trades in financial instruments, Japan Securities Clearing Corporation assumes obligations and acquires claims that arise from the trading of securities, etc. by its clearing participants. To provide security against risk of the clearing participants defaulting on their liabilities for settlement of the trades, Japan Securities Clearing Corporation receive clearing deposits, etc. from the participants based on the Financial Instruments and Exchange Act and other regulations. In addition, Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. receive legal guarantee funds from trading participants based on the Financial Instruments and Exchange Act and other regulations in order to provide security against risk of default by trading participants that are incurred by their customers, etc. These deposits are in the form of cash or securities (which are limited to securities allowed under the regulations of the Exchange, etc.) and are managed separately from the assets of the Exchange, etc. When the deposit is in the form of cash, the Exchange, etc., present these in separate asset and liability accounts which indicate the objectives of the deposits.

The market value of the deposited securities as of the end of the consolidation fiscal year under review was as follows:

1) Margin funds for when-issued transactions:	JPY - million
2) Margin funds for derivatives, etc.:	JPY 2,159,311 million
3) Deposits for clearing funds:	JPY 580,169 million
4) Deposits as collateral for facilitating settlements:	JPY 79,710 million
5) Deposits for legal guarantee funds:	JPY 1,435 million

In addition, to provide security against risk incurred by Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. arising from defaults by trading participants, Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. receive security deposits from the trading participants based on its relevant rules. These deposits are in the form of cash or securities (which are limited to securities allowed under its regulations). Cash deposits are included in "cash and deposits" under assets, and simultaneously recognized as "deposits received as trading participant security money" under liabilities. The market value of these deposited securities as of the end of the consolidation fiscal year under review was JPY 2,097 million.

To compensate any losses related to the clearing business incurred by Japan Securities Clearing Corporation, the JPX group retains special assets for default compensation reserve funds on the balance sheet.



**III. Notes to Consolidated Statement of Changes in Shareholders' Equity**

1. Number and type of issued shares as of the end of the consolidation fiscal year: 274,534,550 shares of common stock

## 2. Dividend

## (1) Dividend paid

Resolution	Share type	Total amount of dividend (million JPY)	Dividend per share (JPY)	Record date	Effective date
Board Meeting of May 14, 2013	Common share	4,392	80.00	March 31, 2013	May 29, 2013
Board Meeting of October 23, 2013	Common share	4,392	80.00 (Note)	September 30, 2013	December 2, 2013

(Note) The amount of dividend per share is based on the record date of September 30, 2013 and does not include the effect of the stock split conducted on October 1, 2013.

(2) Dividend with a record date that falls in the current fiscal year but whose effective date falls in the next fiscal year.

Resolution	Share type	Total amount of dividend (million JPY)	Source	Divided per share (JPY)	Record date	Effective date
Board Meeting of May 13, 2014	Common share	7,412	Retained earnings	27.00	March 31, 2014	May 28, 2014

**IV. Notes relating to Financial Instruments**

## 1. Items relating to financial instruments

## (1) Policies related to investments in financial instruments

The JPX group limits investments to secure financial instruments and finances the investments, etc. through borrowings.

## (2) Details of financial instruments and their risks, and risk management system

With respect to operating accounts receivable, the JPX group is exposed to the credit risk of trading participants and other customers. Therefore, the JPX group continues to conduct monitoring, etc. on the financial conditions of them, in accordance with its rules and regulations.

Marketable securities and investments securities include government bonds for fund management, and stocks held in relation to a business alliance, etc. The JPX group reports to the board of directors on a regular basis on the market value, etc. of these stocks that fluctuates depending on market price. Margin funds for derivatives, etc. and when-issued transactions, deposits for clearing funds, deposits as collateral for facilitating settlement, legal guarantee funds, deposits received as trading participant security money, and default compensation reserve funds are assets and liabilities based on systems designated to ensure the safety of securities trading (please refer to "4. Assets and liabilities based on systems designed to ensure the safety of securities trading" in "II. Notes to Consolidated Balance Sheet").

(Reference Translation)

## 2. Items relating to market value, etc. of financial instruments

The following are the amounts recorded on the consolidated balance sheet, the market value, and the difference. However, financial instruments for which the market value is deemed to be extremely difficult to obtain are not included in the table (please refer to Note 2).

(Unit: JPY million)

	Book value (*)	Market value (*)	Difference
(1) Cash and deposits	103,813	103,813	-
(2) Operating accounts receivable	8,995	8,995	-
(3) Securities and investments securities			
1) Held-to-maturity debt securities	2,082	2,101	19
2) Other securities	29,152	29,152	-
(4) Margin funds for derivatives, etc. and when-issued transactions	913,437	913,437	-
(5) Deposits for clearing funds	188,734	188,734	-
(6) Deposits as collateral for facilitating settlement	10,500	10,500	-
(7) Legal guarantee funds	522	522	-
(8) Special assets for default compensation reserve funds	27,948	27,948	-
Total assets	1,285,187	1,285,206	19
(9) Margin funds received for derivatives, etc. and when-issued transactions	(913,437)	(913,437)	-
(10) Deposits received for clearing funds	(188,734)	(188,734)	-
(11) Deposits received as collateral for facilitating settlements	(10,500)	(10,500)	-
(12) Deposits received as trading participant security money	(4,783)	(4,783)	-
Total liabilities	(1,117,455)	(1,117,455)	-

(\*) Figures shown in parentheses are recorded as liabilities.

(Note 1) Items relating to the computation method of market value of financial instruments and securities

### (1) Cash and deposits and (2) Operating accounts receivable

Bank deposits and operating accounts receivable are all short-term. The market value is based on book value as it is almost equivalent to the said book value.

### (3) Securities and investment securities

The market value for stocks and bonds is based on prices at stock exchanges and the "Reference Prices (Yields) for OTC Bond Transactions" publicized by Japan Securities Dealers Association, respectively.

The following are the difference between the amount recorded for held-to-maturity debt securities on the consolidated balance sheet and the market value, and the difference between the acquisition costs for other securities and the amount recorded on the consolidated balance sheet.

(Reference Translation)

1) Bonds held to maturity

(Unit: JPY million)

	Type of bonds	Amount recorded on consolidated balance sheet	Market value	Difference
Bonds whose market value exceeds the amount recorded on the balance sheet	Government bonds and municipal bonds, etc.	2,082	2,101	19
Bonds whose market value does not exceed the amount recorded on the balance sheet	Government bonds and municipal bonds, etc.	-	-	-
Total		2,082	2,101	19

2) Other securities

(Unit: JPY million)

	Type of securities	Acquisition costs	Amounts recorded on consolidated balance sheet	Difference
Securities whose amounts recorded on the balance sheet exceed acquisition costs	Stocks	16,712	29,152	12,440
Securities whose amounts recorded on the balance sheet do not exceed acquisition costs	Stocks	-	-	-
Total		16,712	29,152	12,440

(4) to (12) Assets and liabilities based on systems to ensure the safety of securities trading  
The market value is based on book value.

(13) Derivatives trading

There are no matters to report.

(Note 2) Unlisted stocks (JPY 6,912 million recorded on the consolidated balance sheet) are deemed extremely difficult to obtain market value as these stocks have no market value and the future cash flow are unable to be estimated; therefore, the JPX group does not include the unlisted stocks in "(3) Marketable securities and investment securities, 2) Other securities". The items relating to market value, etc. of financial instruments are not disclosed for "Deposits received for legal guarantee funds" (JPY 522 million on the consolidated balance sheet) for the same reason.

(Reference Translation)

(Note 3) Scheduled redemption amounts after the fiscal year end for monetary claims and securities with maturities

(Unit: JPY million)

	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years
Cash and deposits	103,813	-	-
Operating accounts receivable	8,995	-	-
Securities and investment securities			
Held-to-maturity debt securities (government bonds, municipal bonds, etc.)	800	768	500
Total	113,609	768	500

## V. Notes relating to Per Share Information

1. Net assets per share: JPY 715.19
2. Net income per share: JPY 108.68

(Note) The Company conducted a 5-for-1 stock split on October 1, 2013. The amounts for net assets per share and net income per share were calculated based on the assumption that the said stock split was conducted at the beginning of the current fiscal year.

## VI. Notes relating to Business Combination

1. Business combination by acquisition (share acquisition and share exchange)

- (1) Overview of business combination

- 1) Name of company to be acquired and details of its business

Name of company to be acquired	Japan Government Bond Clearing Corporation
Details of business	Financial instruments assumption obligation services, etc. for Japanese government bonds

- 2) Main purpose of business combination

The share acquisition and share exchange were conducted with the aim of contributing to increasing the competitiveness of Japan's financial and capital market through further raising the efficiency of the clearing operations and systems to enhance the convenience, efficiency, and security of the market.

- 3) Date of business combination

September 30, 2013

- 4) Legal structure of business combination

Share acquisition and share exchange by which Japan Securities Clearing Corporation is the wholly-owning parent and Japan Government Bond Clearing Corporation is the wholly-owned subsidiary.

- 5) Name of company after combination

There is no change

- 6) Ratio of voting rights acquired

Ratio of voting rights before share acquisition and share exchange: 35.63%

Ratio of voting rights acquired additionally due to share acquisition and share exchange: 64.37%

Ratio of voting rights after acquisition: 100.00%

- 7) Reason for deciding acquiring company

Due to Japan Securities Clearing Corporation making Japan Government Bond Clearing Corporation its wholly-owned subsidiary by holding 100% of its voting rights.

(Reference Translation)

8) Other matters regarding outline of transaction

An absorption-type merger was conducted on October 1, 2013, by which Japan Securities Clearing Corporation was the surviving company and Japan Government Bond Clearing Corporation was absorbed and dissolved.

(2) Period of results of acquired company included in the consolidated financial statements

From April 1, 2013 to September 30, 2013

Due to the application of the equity method for the above period, they were included in "Share of profit of entities accounted for using equity method".

(3) Acquisition cost of acquired company and breakdown

Acquisition consolidation	Cash	JPY 484 million
	Class D shares of Japan Securities Clearing Corporation delivered on business combination date	JPY 2,904 million
Acquisition costs		JPY 3,388 million

(4) The share exchange ratio by class of shares, method of calculating share exchange ratio and the number of shares issued

1) The share exchange ratio by class of shares

1 Class D share of Japan Securities Clearing Corporation: 0.11704 common shares of Japan Government Bond Clearing Corporation

2) Method of calculating share exchange ratio

The values of Japan Securities Clearing Corporation Class D share and Japan Government Bond Clearing Corporation common share were calculated based on the respective net asset per share because both were unlisted, and share exchange ratio was determined after discussion between the two companies.

The value of Japan Securities Clearing Corporation Class D share was JPY 500,000 per share (calculated based on net asset per share as of the effective date of the share exchange) and the value of Japan Government Bond Clearing Corporation common share was JPY 58,222 per share (calculated based on net assets per share as of the fiscal year end, March 31, 2013). The share exchange ratio was calculated by dividing the latter value by the former value. Both companies obtained separate equity valuations from independent third party institutions.

3) The number of shares issued

5,808 shares

(5) Breakdown of amounts of major assets acquired and liabilities assumed on business combination date

Current Assets	JPY 82,463 million
Non-current Assets	JPY 1,150 million
Total Assets	JPY 83,614 million
Current Liabilities	JPY 78,328 million
Total Liabilities	JPY 78,328 million

2. Transaction, etc. under common control (merger)

Overview of the transaction and accounting treatment

1) Names of companies involved and details of their business

Absorbing company	Japan Securities Clearing Corporation
Details of business	Financial instruments assumption obligation service, etc.

Name of company to be absorbed	Japan Government Bond Clearing Corporation
Details of business	Financial instruments assumption obligation service for Japanese Government Bond

2) Date of business combination

October 1, 2013

3) Legal structure of business combination

A merger where Japan Securities Clearing Corporation was the surviving company of an absorption-type merger and Japan Government Bond Clearing Corporation was the absorbed company.

4) Name of company after combination

Japan Securities Clearing Corporation

5) Other matters regarding outline of the transaction (including its purpose)

The merger was conducted with the aim of contributing to increasing the competitiveness of Japan's financial and capital market through further raising the efficiency of the clearing operations and systems to enhance the convenience, efficiency, and security of the market.

6) Accounting treatments applied

The merger was processed as a transaction under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).



## **Non-consolidated Statement of Income**

(From April 1, 2013 to March 31, 2014)

	<b>(million yen)</b>
<b>Operating revenue</b>	<b>12,248</b>
Management fee income	6,429
Dividend income from subsidiaries and associates	5,809
Other	9
<b>Operating expenses</b>	<b>5,179</b>
<b>Operating income</b>	<b>7,068</b>
<b>Non-operating income</b>	<b>1,480</b>
Interest income	61
Dividend income	1,322
Other	96
<b>Non-operating expenses</b>	<b>104</b>
Interest expenses	104
<b>Ordinary income</b>	<b>8,444</b>
<b>Income before income taxes</b>	<b>8,444</b>
Income taxes - current	1,014
Income taxes - deferred	49
<b>Net income</b>	<b>7,380</b>



**Non-consolidated Statement of Changes in Shareholders' Equity**

(From April 1, 2013 to March 31, 2014)

(million yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	
					General reserve	Retained earnings brought forward
Balance at the beginning of current period	11,500	3,000	20,903	23,903	5,302	33,919
Changes of items during the period						
Dividends of surplus				—		(8,785)
Purchase of treasury shares				—		
Net income				—		7,380
Net changes of items other than shareholders' equity				—		
Total changes of items during the period	—	—	—	—	—	(1,404)
Balance at the end of current period	11,500	3,000	20,903	23,903	5,302	32,515

(Reference Translation)

(million yen)

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments	
	Total retained earnings					
Balance at the beginning of current period	39,222	—	74,625	9,088	9,088	83,714
Changes of items during the period						
Dividends of surplus	(8,785)		(8,785)		—	(8,785)
Purchase of treasury shares	—	(5)	(5)		—	(5)
Net income	7,380		7,380		—	7,380
Net changes of items other than shareholders' equity	—		—	(1,082)	(1,082)	(1,082)
Total changes of items during the period	(1,404)	(5)	(1,410)	(1,082)	(1,082)	(2,492)
Balance at the end of current period	37,817	(5)	73,215	8,006	8,006	81,221

## I. Accounting Policies

### 1. Standards and methods of asset valuation

#### Securities

- 1) Shares of subsidiaries and associates: Cost method based on the moving-average-method
- 2) Other securities:

Securities with market value: Market value method based on average market prices over a one-month period prior to the closing date of the fiscal year (differences in valuation are included in net assets and the cost of securities sold is calculated using the moving-average method)

Securities without market value: Cost method based on the moving-average-method

### 2. Methods of depreciation of non-current assets

#### (1) Property and equipment:

The straight-line method is used.

#### (2) Intangible assets:

The straight-line method is used. The straight-line method based on the expected period of use (5 years) is used for software for internal use.

### 3. Standards for allowances and provision

#### (1) Provision for bonuses:

For payment of employee bonuses, allowance is provided for the portion of the total anticipated bonuses that is attributable to the current period.

#### (2) Provision for directors' bonuses:

For payment of bonuses to directors and executive officers, allowance is provided for the portion of the total anticipated bonuses that is attributable to the current period.

### 4. Other significant matters which constitute the basis for preparation of the non-consolidated financial statements.

#### (1) Translation of foreign currency-denominated assets and liabilities into yen

Foreign currency-denominated assets and liabilities are translated into yen based on the exchange rate as of the closing date of the fiscal year. Other securities are translated into yen based on the average exchange rate over a one-month period prior to the closing date of the fiscal year.

#### (2) Accounting for consumption taxes, etc.

Consumption taxes and local consumption taxes are not included in transaction amounts.

### 5. Change in presentation

"Subsidy income" was presented as an individual item in the previous fiscal year. However, due to falling below one-tenth of overall non-operating revenues, it has been included in "Other" from the current fiscal year.

## II. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation on property and equipment	JPY 58 million
2. Monetary claims and monetary liabilities vis-à-vis affiliated companies (excluding those presented separately)	
Short-term monetary claims	JPY 0 million
Short-term monetary liabilities	JPY 79 million

(Reference Translation)

3. Loss compensation, etc.

The Company has "Special assets for default compensation reserve funds" recorded under assets in its balance sheet as reserve for compensation of loss suffered by Japan Securities Clearing Corporation (JSCC) concerning the clearing services.

**III. Notes to Non-consolidated Statement of Income**

Transactions with affiliated companies

Transaction from operating transactions

Operating revenues JPY 12,238 million

Operating expenses JPY 3,307 million

Transaction from non-operating transactions JPY 129 million

**IV. Notes to Non-consolidated Statement of Changes in Shareholders' Equity**

Type of treasury shares and number of shares at the end of the current fiscal year

Common share 2,655 shares

**V. Note relating to Tax Effect Accounting**

Breakdown of deferred tax assets and liabilities

Deferred tax assets:

Nondeductible accrued bonuses JPY101 million

Loss on valuation of subsidiaries shares JPY 252 million

Others JPY 40 million

Subtotal of deferred tax assets JPY 394 million

Valuation allowance JPY( 252) million

Total deferred tax assets JPY 142 million

Deferred tax liabilities:

Valuation difference on available-for-sale securities: JPY (4,433) million

Other JPY(23)million

Total deferred tax liabilities JPY (4,457) million

Net amounts of deferred tax assets (liabilities) JPY (4,315) million

Net amounts of deferred tax assets (liabilities) are included in the following items in the non-consolidated balance sheet.

Current assets - deferred tax assets JPY 99 million

Non-current liabilities - deferred tax liabilities JPY 4,414 million

## VI. Note relating to Transactions with Related Parties

### • Subsidiaries

Type of company	Name of company, etc.	Percentage of voting rights, etc. held (held by others)	Business relationship	Type of transaction	Value of transactions (million JPY)	Accounting classification	Balance at end of period (million JPY)	
Subsidiaries	Tokyo Stock Exchange, Inc.	Directly held 100.0%	Management control	Receipt of management fees (Note 1)	3,696	—	—	
				Payment for secondment (Note2)	1,878	Accrued expenses	35	
			Borrowing of funds	Borrowing of funds	28,000	Short-term loans payable to subsidiaries and associates	28,000	
				Concurrent positions of directors	Payment for interest expense (Note3)	19	Accrued expenses	19
Subsidiaries	Tokyo Stock Exchange Regulation	Directly held 100.0%	Management control	Receipt of management fees (Note 1)	1,491	—	—	
				Management control	Receipt of management fees (Note 1)	1,242	—	—
	Osaka Exchange, Inc.	Directly held 100.0%	Borrowing of funds	Employee secondment	Payment for secondment (Note2)	605	—	—
				Concurrent positions of directors	Borrowing of funds	9,000	Short-term loans payable to subsidiaries and associates	9,000

The transaction amounts shown above do not include consumption taxes, etc.; year-end balances include consumption taxes, etc.

Transaction-related conditions and policies for determining such conditions, etc.

Note1: Management fee is determined in consideration of costs for management and administration of group companies.

Note2: The amount of payment for secondment is determined in consideration of personnel costs for secondment to the Company.

Note3: Interest rates for borrowed funds are determined in consideration of market rates, etc.

## VII. Notes relating to Per Share Information

1. Net assets per share: JPY 295.86

2. Net income per share: JPY 26.88

(Note) Due to the Company conducting a 5-for-1 stock split of common share on October 1, 2013, the amounts for net assets per share and net income per share are calculated as if said stock split was conducted at the beginning of the current fiscal year.

Copy of the Auditor's Report on the Consolidated Financial Documents

## **Independent Auditor's Report**

May 7, 2014

To The Board of Directors  
Japan Exchange Group, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yasuyuki Miyasaka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Masaya Shibata

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takako Fujimoto

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2014 of Japan Exchange Group, Inc. (the "Company") and its consolidated subsidiaries, and the related statements of income and changes in net assets for the fiscal year from April 1, 2013 to March 31, 2014, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the

(Reference Translation)

consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Exchange Group, Inc. and its consolidated subsidiaries as of March 31, 2014, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As discussed in 3. Legal disputes under II. Notes to Consolidated Balance Sheet, the Tokyo Stock Exchange, Inc. (the "TSE"), a consolidated subsidiary of the Company, is currently in dispute with Mizuho Securities Co., Ltd. who filed a lawsuit against the TSE seeking compensation for damages caused by erroneous trades of J-COM Co., Ltd.

Our opinion is not qualified in respect of this matter.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Copy of the Auditor's Report on the Nonconsolidated Financial Documents

**Independent Auditor's Report**

May 7, 2014

To The Board of Directors  
Japan Exchange Group, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yasuyuki Miyasaka

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Masaya Shibata

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Takako Fujimoto

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2014 of Japan Exchange Group, Inc. (the "Company"), and the related statements of income and changes in net assets for the 13 th fiscal year from April 1, 2013 to March 31, 2014, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the



(Reference Translation)

financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Japan Exchange Group, Inc. as of March 31, 2014, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## ■Audit Report of Audit Committee

### Audit Report

The Audit Committee of Japan Exchange Group, Inc. (the Company) has audited the execution of official duties by the directors and executive officers of the Company during its 13th business year, the period from April 1, 2013 to March 31, 2014. Our audit methods and results are as follows.

#### 1 . Auditing Methods and Content thereof

The Audit Committee monitored and inspected the resolutions of the Board of Directors and the status of establishment and operation of the system (Internal Control System) developed under such resolutions with regard to Article 416, Paragraph 1, Item 1, sub-items (b) and (c) of the Companies Act. Furthermore, in accordance with auditing policies, auditing plans, etc., conforming to the auditing standards established by the Audit Committee, and in cooperation with the internal control department of the Company, the Audit Committee attended important meetings, received reports from directors, executive officers, etc. on the execution of their duties and asked them details when necessary, examined important documents, etc. related to Company decisions, and evaluated the Company's operational and financial condition.

Regarding subsidiaries, the Committee endeavored to maintain communication and exchange information with directors, Auditors, etc. of subsidiaries, and received business reports of subsidiaries when necessary.

Furthermore, the Audit Committee monitored and inspected whether the Accounting Auditor performed proper audits while assuring said Auditor's independence, and received reports from the Accounting Auditor on the execution of said Auditor's duties and asked details when necessary. The Audit Committee was also informed by the Accounting Auditor that the "System to ensure proper execution of its duties" (matters described in each item of Article 131 of the Corporate Accounting Rules) has been developed in accordance with "Quality Control standards for Audits" issued by the Business Accounting Council on October 28, 2005, and others, and asked details when necessary.

Through the above methods, the Audit Committee reviewed the business report, financial documents (balance sheet, statement of income and statement of changes in shareholders' equity) and supplementary statements, and consolidated financial documents (consolidated balance sheet, consolidated statement of income and consolidated statement of changes in shareholders' equity) for said business year.

#### 2 . Results of Audit

##### (1) Results of Audit of Business Report, etc.

- (i) We certify that the business report and its supplementary statements fairly present the situation of the Company in accordance with laws and regulations as well as the Articles of Incorporation.
- (ii) We found no wrongful act or material fact in violation of laws, regulations, or the Articles of Incorporation with respect to the performance of duties by the directors and executive officers.
- (iii) We certify that the resolutions of the Board of Directors with respect to the internal control system are proper and correct. In addition, we found no matter that needed to be addressed regarding the performance of duties by the directors and executive officers with respect to the internal control system.

##### (2) Audit Results of Financial Documents and Supplementary Statements

We certify that the auditing method of Deloitte Touche Tohmatsu LLC, the Accounting Auditor, and the results of its audit are proper and correct.

##### (3) Audit Results of Consolidated Financial Documents

We certify that the auditing method of Deloitte Touche Tohmatsu LLC, the Accounting Auditor, and the results of its audit are proper and correct.

May 9, 2014

Audit Committee of Japan Exchange Group, Inc.

Member of the Audit Committee

Kunihiro Matsuo

Standing Member of the Audit Committee

Masayuki Hirose

Member of the Audit Committee

Hiroyuki Nakatsukasa

(Note) Members of the Audit Committee Kunihiro Matsuo and Hiroyuki Nakatsukasa are outside directors as stipulated in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.