

## Japan Exchange Group, Inc. and Consolidated Subsidiaries

Consolidated financial results for the nine months ended December 31, 2018

(Based on IFRS), unaudited

Company name:	Japan Exchange Group, Inc.	Stock Exchange Listings: Tokyo
Code number:	8697	URL: <a href="https://www.jpx.co.jp/english/">https://www.jpx.co.jp/english/</a>
Representative:	Akira Kiyota, Director & Representative Executive Officer, Group CEO	
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Scheduled date of filing of quarterly report:	February 13, 2019	
Scheduled date of start of dividend payment:	–	
Preparation of 3Q earnings presentation material:	Yes	
Holding of 3Q earnings announcement:	None	

### 1. Consolidated financial results for nine months ended December 31, 2018

(from April 1, 2018 to December 31, 2018)

(Figures less than a Millions of yen are omitted)

#### (1) Consolidated operating results (cumulative)

(Percentages represent changes year on year)

	Operating revenue		Operating income		Income before income tax		Net income		Net income attributable to owners of the parent company		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	92,020	4.7	54,302	2.3	55,285	2.3	38,845	3.8	38,430	3.3	39,131	3.5
Nine months ended December 31, 2017	87,861	8.9	53,090	18.5	54,042	18.0	37,408	16.5	37,195	16.8	37,799	30.6

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2018	71.74	–
Nine months ended December 31, 2017	69.36	–

#### (2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2018	55,009,203	281,059	274,678	0.5
As of March 31, 2018	41,316,341	279,736	273,771	0.7

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

## 2. Dividends

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

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

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

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

(Percentages represent changes year on year)

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

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

\* Notes

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

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

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

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

(3) Number of issued shares (common share)

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

As of December 31, 2018:	536,351,448
As of March 31, 2018:	536,351,448

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

As of December 31, 2018:	721,216
As of March 31, 2018:	585,416

3) Average number of shares:

Nine months ended December 31, 2018:	535,693,629
Nine months ended December 31, 2017:	536,242,907

\* Disclosure regarding the execution of the quarterly review process

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

\* Explanation on appropriate use of forecast and other special items

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

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(Appendix)

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## 1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

### (1) Explanation on Operating Results

During the consolidated cumulative third quarter (from April 1, 2018 to December 31, 2018), JPX Group recorded operating revenue of ¥92,020 million (4.7% increase from the same period of the previous fiscal year (i.e., year on year)) due to factors such as increases in clearing services revenue, listing services revenue and information services revenue year on year, and operating expenses were ¥39,657 million (increased 9.5% year on year). As a result, JPX Group recorded operating income of ¥54,302 million (increased 2.3% year on year) and income before income tax of ¥55,285 million (increased 2.3% year on year).

In addition, net income attributable to owners of the parent company after tax was ¥38,430 million (increased 3.3% year on year).

(Operating revenue)

#### 1) Trading services revenue

Trading services revenue comprises “Transaction Fees” based on the value of securities traded or volume of derivatives traded, “Basic Fees” based on the types of the trading participant’s trading qualification, “Access Fees” based on the number of orders, and “Trading System Facilities Usage Fees” based on the types of trading system facilities used.

During the consolidated cumulative third quarter, trading services revenue maintained the same level year on year at ¥37,364 million.

Breakdown of trading services revenue

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Change (%)
Trading services revenue	37,530	37,364	(0.4)
Transaction fees	30,549	30,273	(0.9)
Cash equities	22,219	21,673	(2.5)
Derivatives	8,330	8,599	3.2
TOPIX futures transactions	1,538	1,542	0.2
Nikkei 225 futures transactions *1	3,264	3,494	7.0
Nikkei 225 options transactions *2	2,213	1,998	(9.7)
10-year JGB futures transactions	1,214	1,494	23.1
Others	99	70	(29.3)
Basic fees	786	765	(2.6)
Access fees	3,626	3,636	0.3
Trading system facilities Usage fees	2,498	2,615	4.7
Others	70	73	4.6

\*1 Figures include Nikkei 225 mini futures transactions.

\*2 Figures exclude Nikkei 225 Weekly Options transactions.

#### 2) Clearing services revenue

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

During the consolidated cumulative third quarter, clearing services revenue increased 10.4% year on year to ¥19,118 million.

### 3) Listing services revenue

Listing services revenue comprises “Initial/Additional Listing Fees” that are received based on the issue amount when a company initially lists or when a listed company issues additional shares, and “Annual Listing Fees” received from listed companies based on their market capitalization.

During the consolidated cumulative third quarter, listing services revenue increased 1.9% year on year to ¥10,424 million due to increases in annual listing fees.

#### Breakdown of listing services revenue

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Change (%)
Listing services revenue	10,226	10,424	1.9
Initial/Additional listing fees	3,235	2,905	(10.2)
Annual listing fees	6,991	7,519	7.6

### 4) Information services revenue

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

During the consolidated cumulative third quarter, information services revenue increased 7.2% year on year to ¥15,729 million due mainly to increases in market information fees and index business revenue.

### 5) Other operating revenue

Other operating revenue includes the following main items:

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

During the consolidated cumulative third quarter, other operating revenue increased 15.5% year on year to ¥9,383 million due mainly to increases in revenue from usage fees related to co-location services.

#### Breakdown of other operating revenue

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Change (%)
Other operating revenue	8,123	9,383	15.5
arrownet usage fees	2,334	2,428	4.0
Co-location services usage fees	2,591	2,894	11.7
Other	3,198	4,060	27.0

(Operating expenses)

During the consolidated cumulative third quarter, personnel expenses increased 1.3% year on year to ¥11,722 million.

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

During the consolidated cumulative third quarter, system maintenance and operation expenses increased 4.6% year on year to ¥8,917 million.

During the consolidated cumulative third quarter, depreciation and amortization increased 26.8% year on year to ¥8,752 million.

During the consolidated cumulative third quarter, other operating expenses increased 11.5% year on year to ¥10,265 million.

## (2) Explanation on Financial Position

(Assets, liabilities, and equity)

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

Total assets as of December 31, 2018 increased ¥13,692,861 million from the end of the previous fiscal year to ¥55,009,203 million as a result of an increase in clearing business financial assets. Excluding clearing business financial assets, deposits from clearing participants, legal guarantee funds, and default compensation reserve funds, assets decreased ¥11,488 million from the end of the previous fiscal year to ¥343,129 million.

Total liabilities as of December 31, 2018 increased ¥13,691,539 million from the end of the previous fiscal year to ¥54,728,144 million as a result of an increase in clearing business financial liabilities. Excluding clearing business financial liabilities, deposits from clearing participants, legal guarantee funds, and trading participant security money, liabilities decreased ¥13,731 million from the end of the previous fiscal year to ¥81,696 million.

Total equity as of December 31, 2018 increased ¥1,322 million from the end of the previous fiscal year to ¥281,059 million, due to capital increase from net income attributable to owners of the parent company, and capital reduction due mainly to dividend payment. In addition, after excluding default compensation reserve funds, total equity as of the same date was ¥253,110 million.

<Reference>

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2018	55,009,203	281,059	274,678	0.5
	*343,129	*253,110	*246,730	*71.9
As of March 31, 2018	41,316,341	279,736	273,771	0.7
	*354,618	*251,788	*245,823	*69.3

(Note)

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

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

1) Consolidated Earnings Forecast

There are no revisions to the consolidated earnings forecast from the forecast figures disclosed in the “Consolidated financial results for the six months ended September 30, 2018 (Based on IFRS), unaudited” on October 29, 2018 (hereinafter “previously disclosed material”).

The consolidated earnings forecast for the year ending March 31, 2019 is based on the assumptions that the average daily trading values and volumes are ¥3.25 trillion for stocks, etc.<sup>\*1</sup>, 38,000 contracts for 10-year JGB futures transactions, 102,000 contracts for TOPIX futures transactions, 193,000 contracts for Nikkei 225 futures transactions<sup>\*2</sup>, and ¥23.0 billion for Nikkei 225 options transactions<sup>\*3</sup>.

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

<sup>\*2</sup> Includes Nikkei 225 mini contract volumes converted into large-sized contracts

<sup>\*3</sup> Excludes Weekly Options transactions

2) Dividend Forecast

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

JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:

- Maintaining sound financial health as a financial instruments exchange group,
- Preparing for risks as a clearing organization, and
- Enabling JPX Group to pursue investment opportunities to raise the competitiveness of its markets as they arise.



## 2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### (1) Condensed Consolidated Statement of Financial Position

	As of March 31, 2018	As of December 31, 2018
	Millions of yen	Millions of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	78,999	45,811
Trade and other receivables	11,841	15,370
Clearing business financial assets	37,311,964	50,502,768
Specified assets for deposits from clearing participants	3,621,319	4,134,873
Specified assets for legal guarantee funds	491	483
Income tax receivables	6,191	7,834
Other financial assets	86,700	108,100
Other current assets	1,814	2,665
<b>Total current assets</b>	<b>41,119,322</b>	<b>54,817,907</b>
<b>Non-current assets</b>		
Property and equipment	5,209	7,452
Goodwill	67,374	67,374
Intangible assets	34,208	32,166
Retirement benefit assets	5,956	5,906
Investments accounted for using the equity method	10,407	11,958
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	36,252	28,405
Other non-current assets	5,774	6,135
Deferred tax assets	3,887	3,949
<b>Total non-current assets</b>	<b>197,019</b>	<b>191,295</b>
<b>Total assets</b>	<b>41,316,341</b>	<b>55,009,203</b>

	As of March 31, 2018	As of December 31, 2018
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	5,591	3,336
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	37,311,964	50,502,768
Deposits from clearing participants	3,621,319	4,134,873
Legal guarantee funds	491	483
Trading participant security money	7,402	8,323
Income tax payables	14,253	5,045
Other current liabilities	7,599	6,662
Total current liabilities	41,001,120	54,693,992
Non-current liabilities		
Bonds and loans payable	19,940	19,945
Retirement benefit liabilities	7,624	7,852
Other non-current liabilities	3,392	3,093
Deferred tax liabilities	4,526	3,260
Total non-current liabilities	35,484	34,151
Total liabilities	41,036,604	54,728,144
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(953)	(1,218)
Other components of equity	10,816	7,950
Retained earnings	212,691	216,729
Total equity attributable to owners of the parent company	273,771	274,678
Non-controlling interests	5,965	6,380
Total equity	279,736	281,059
Total liabilities and equity	41,316,341	55,009,203

(2) Condensed Consolidated Statement of Income

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Millions of yen	Millions of yen
Revenue		
Operating revenue	87,861	92,020
Other revenue	199	193
Total revenue	<u>88,060</u>	<u>92,214</u>
Expenses		
Operating expenses	36,209	39,657
Other expenses	0	17
Total expenses	<u>36,209</u>	<u>39,674</u>
Share of income of investments accounted for using the equity method	1,240	1,763
Operating income	<u>53,090</u>	<u>54,302</u>
Financial income	1,014	1,045
Financial expenses	62	62
Income before income tax	<u>54,042</u>	<u>55,285</u>
Income tax expense	16,634	16,439
Net income	<u><u>37,408</u></u>	<u><u>38,845</u></u>
Net income attributable to		
Owners of the parent company	37,195	38,430
Non-controlling interests	212	415
Net income	<u><u>37,408</u></u>	<u><u>38,845</u></u>
Earnings per share		
Basic (Yen)	69.36	71.74
Diluted (Yen)	-	-

(3) Condensed Consolidated Statement of Comprehensive Income

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Millions of yen	Millions of yen
Net income	37,408	38,845
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	390	285
Share of other comprehensive income of investments accounted for using the equity method	0	0
Other comprehensive income, net of tax	390	285
Comprehensive income	37,799	39,131
Comprehensive income attributable to		
Owners of the parent company	37,586	38,715
Non-controlling interests	212	415
Comprehensive income	37,799	39,131

## (4) Condensed Consolidated Statement of Changes in Equity

## Equity attributable to owners of the parent company

	Share capital	Capital surplus	Treasury shares	Other components of equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	11,500	59,722	(13,506)	11,604
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	390
Total comprehensive income	–	–	–	390
Acquisition of treasury shares	–	(2)	(7,452)	–
Dividends paid	–	–	–	–
Other	–	–	1	–
Total transactions with the owners	–	(2)	(7,450)	–
Balance as of December 31, 2017	11,500	59,720	(20,957)	11,995
Balance as of April 1, 2018	11,500	39,716	(953)	10,816
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	285
Total comprehensive income	–	–	–	285
Acquisition of treasury shares	–	–	(264)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(3,151)
Total transactions with the owners	–	–	(264)	(3,151)
Balance as of December 31, 2018	11,500	39,716	(1,218)	7,950

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	188,634	257,955	5,815	263,770
Net income	37,195	37,195	212	37,408
Other comprehensive income, net of tax	–	390	–	390
Total comprehensive income	37,195	37,586	212	37,799
Acquisition of treasury shares	–	(7,454)	–	(7,454)
Dividends paid	(26,938)	(26,938)	–	(26,938)
Other	–	1	–	1
Total transactions with the owners	(26,938)	(34,392)	–	(34,392)
Balance as of December 31, 2017	198,891	261,149	6,028	267,177
Balance as of April 1, 2018	212,691	273,771	5,965	279,736
Net income	38,430	38,430	415	38,845
Other comprehensive income, net of tax	–	285	–	285
Total comprehensive income	38,430	38,715	415	39,131
Acquisition of treasury shares	–	(264)	–	(264)
Dividends paid	(37,544)	(37,544)	–	(37,544)
Transfer from other components of equity to retained earnings	3,151	–	–	–
Total transactions with the owners	(34,393)	(37,809)	–	(37,809)
Balance as of December 31, 2018	216,729	274,678	6,380	281,059

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Changes in accounting policies)

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

(Operating Revenue)

The breakdown of "Operating revenue" is as follows:

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Millions of yen	Millions of yen
Trading services revenue	37,530	37,364
Clearing services revenue	17,310	19,118
Listing services revenue	10,226	10,424
Information services revenue	14,669	15,729
Other	8,123	9,383
Total	<u>87,861</u>	<u>92,020</u>

(Operating Expenses)

The breakdown of "Operating expenses" is as follows:

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Millions of yen	Millions of yen
Personnel expenses	11,577	11,722
System maintenance and operation expenses	8,522	8,917
Depreciation and amortization	6,901	8,752
Other	9,208	10,265
Total	<u>36,209</u>	<u>39,657</u>

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