

Japan Exchange Group, Inc. and Consolidated Subsidiaries
Consolidated financial results for the three months ended June 30, 2021
(Based on IFRS), unaudited

Company name: Japan Exchange Group, Inc. Stock Exchange Listings: Tokyo
Code number: 8697 URL: <https://www.jpx.co.jp/english/>
Representative: Kiyota Akira, Director & Representative Executive Officer, Group CEO
Contact: Lin Kei, Director, Corporate Communications
Scheduled date of filing of quarterly report: August 13, 2021
Scheduled date of start of dividend payment: –
Preparation of 1Q earnings presentation material: Yes
Holding of 1Q earnings announcement: None

1. Consolidated financial results for three months ended June 30, 2021
(from April 1, 2021 to June 30, 2021)

(Figures less than a million 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	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Three months ended June 30, 2021	32,503	(0.5)	18,459	0.5	18,471	0.3	12,516	2.1	12,291	1.7	12,724	4.8
Three months ended June 30, 2020	32,666	12.4	18,365	13.0	18,414	12.3	12,261	12.3	12,082	12.8	12,141	1.9

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2021	23.02	–
Three months ended June 30, 2020	22.57	–

(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
	Mil. yen	Mil. yen	Mil. yen	%
As of June 30, 2021	61,301,218	308,289	300,740	0.5
As of March 31, 2021	60,075,678	328,769	321,391	0.5

* 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" and "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, 2021	–	26.00	–	42.00	68.00
Year ending March 31, 2022	–				
Year ending March 31, 2022 (Forecast)		26.00	–	26.00	52.00

*1: Change in dividends forecast from the most recent announcement: None

*2: Breakdown of year-end dividend for the fiscal year ended March 31, 2021: Ordinary Dividend ¥32; Special Dividend ¥10.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	
Year ending March 31, 2022	130,000	(2.5)	66,000	(11.5)	66,000	(11.7)	46,000	(11.6)	45,500	(11.5)	yen 85.55

* 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: None

2) Changes in accounting policies other than the above: None

3) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

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

As of June 30, 2021: 536,351,448

As of March 31, 2021: 536,351,448

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

As of June 30, 2021: 5,170,427

As of March 31, 2021: 1,034,400

3) Average number of shares:

Three months ended June 30, 2021: 533,875,558

Three months ended June 30, 2020: 535,342,754

*This release is outside the scope of the quarterly review by certified public accountants and audit firms.

* Explanation on appropriate use of forecast and other special items

This material contains an 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.

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Japan Exchange Group, Inc., and/or its affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

(Appendix)

Contents of Appendix

1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION ...	2
(1) Explanation on Operating Results ...	2
(2) Explanation on Financial Position ...	4
(3) Explanation on Forecast Information such as Consolidated Earnings Forecast, etc. ...	5
2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES ...	6
(1) Condensed Consolidated Statement of Financial Position ...	6
(2) Condensed Consolidated Statement of Income ...	8
(3) Condensed Consolidated Statement of Comprehensive Income ...	9
(4) Condensed Consolidated Statement of Changes in Equity ...	10
(5) Notes on Condensed Consolidated Financial Statements ...	12
(Note on Going-Concern Assumption) ...	12
(Operating Revenue) ...	12
(Operating Expenses) ...	12

1. QUALITATIVE INFORMATION ON OPERATING RESULTS AND FINANCIAL POSITION

(1) Explanation on Operating Results

During the consolidated cumulative first quarter (from April 1, 2021 to June 30, 2021), JPX Group recorded operating revenue of ¥32,503 million (decreased 0.5% from the same period of the previous fiscal year (i.e., year on year)), and operating expenses were ¥14,504 million (decreased 4.8% year on year). As a result, JPX Group recorded operating income of ¥18,459 million (increased 0.5% year on year) and income before income tax of ¥18,471 million (increased 0.3% year on year).

In addition, net income attributable to owners of the parent company after tax was ¥12,291 million (increased 1.7% year on year).

(Operating revenue)

1) Trading services revenue

Trading services revenue is comprised of "Transaction fees" based on the value of securities traded or volume of financial and commodity derivatives traded, "Basic fees" based on the types of the trading participant's trading qualification, "Access fees" based on the number of orders, "Trading system facilities usage fees" based on the types of trading system facilities used, and other similar fees.

During the consolidated cumulative first quarter, trading services revenue decreased 9.1% year on year to ¥12,391 million due mainly to a decrease in transaction fees resulting from a year-on-year decrease in trading volume.

Breakdown of trading services revenue

(Mil. yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	Change (%)
Trading services revenue	13,630	12,391	(9.1)
Transaction fees	11,175	9,969	(10.8)
Cash equities	7,725	7,398	(4.2)
Financial derivatives	2,920	2,176	(25.5)
TOPIX futures transactions	474	449	(5.1)
Nikkei 225 futures transactions *1	1,340	846	(36.9)
Nikkei 225 options transactions *2	823	494	(39.9)
10-year JGB futures transactions	232	338	45.8
Others	49	47	(3.7)
Commodity derivatives	530	394	(25.6)
Basic fees	258	250	(3.0)
Access fees	1,283	1,230	(4.2)
Trading system facilities usage fees	887	918	3.5
Others	25	22	(9.4)

*1: Figures include Nikkei 225 mini futures transactions.

*2: Figures exclude Nikkei 225 Weekly Options transactions.

2) Clearing services revenue

Clearing services revenue is comprised of clearing fees related to the assumption of obligations of financial instrument transactions carried out by Japan Securities Clearing Corporation and other similar fees.

During the consolidated cumulative first quarter, clearing services revenue decreased 8.5% year on year to ¥6,789 million.

3) Listing services revenue

Listing services revenue is comprised of "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, "Annual listing fees" received from listed companies based on their market capitalization, and other similar fees.

During the consolidated cumulative first quarter, listing services revenue increased 20.2% year on year to ¥3,756 million due mainly to an increase in initial/additional listing fees.

Breakdown of listing services revenue

(Mil. yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	
			Change (%)
Listing services revenue	3,126	3,756	20.2
Initial/Additional listing fees	432	927	114.3
Annual listing fees	2,693	2,828	5.0

4) Information services revenue

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

During the consolidated cumulative first quarter, information services revenue increased 17.3% year on year to ¥6,711 million due mainly to an increase in market information fees.

5) Other operating revenue

Other operating revenue includes mainly 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.; and revenue from system development and operations conducted by TOSHO SYSTEM SERVICE CO., LTD.

During the consolidated cumulative first quarter, other operating revenue increased 3.1% year on year to ¥2,854 million.

Breakdown of other operating revenue

(Mil. yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	
			Change (%)
Other operating revenue	2,767	2,854	3.1
arrownet usage fees	819	859	4.8
Co-location services usage fees	1,025	1,185	15.6
Other	922	809	(12.2)

(Operating expenses)

During the consolidated cumulative first quarter, personnel expenses decreased 5.4% year on year to ¥4,336 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. System maintenance and operation expenses increased 8.4% year on year to ¥3,493 million.

Depreciation and amortization decreased 9.2% year on year to ¥4,065 million.

Other operating expenses decreased 11.6% year on year to ¥2,608 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 and other transactions are included under both assets and either liabilities or equity.

Total assets as of June 30, 2021 increased by ¥1,225,539 million from the end of the previous fiscal year to ¥61,301,218 million due mainly to 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 by ¥15,880 million from the end of the previous fiscal year to ¥385,252 million.

Total liabilities as of June 30, 2021 increased by ¥1,246,019 million from the end of the previous fiscal year to ¥60,992,928 million due mainly to the same increase in "Clearing business financial liabilities". Excluding "Clearing business financial liabilities", "Deposits from clearing participants", "Legal guarantee funds", and "Trading participant security money", liabilities increased by ¥4,040 million from the end of the previous fiscal year to ¥96,190 million.

Total equity as of June 30, 2021 decreased by ¥20,479 million from the end of the previous fiscal year to ¥308,289 million, due to a capital reduction as a result of dividend payment despite a capital increase from net income attributable to owners of the parent company. In addition, after excluding "Default compensation reserve funds", total equity as of the same date was ¥280,341 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
	Mil. yen	Mil. yen	Mil. yen	%
As of June 30, 2021	61,301,218	308,289	300,740	0.5
	*385,252	*280,341	*272,792	*70.8
As of March 31, 2021	60,075,678	328,769	321,391	0.5
	*401,132	*300,821	*293,443	*73.2

(Note)

Figures marked "*" under total assets exclude "Clearing business financial assets", "Deposits from clearing participants", "Legal guarantee funds", and "Default compensation reserve funds", and those marked "*" under 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 announced in the "Consolidated financial results for the fiscal year ended March 31, 2021 (Based on IFRS), unaudited" on April 28, 2021 (hereinafter "previously disclosed material").

The consolidated earnings forecast for the year ending March 31, 2022 is based on the assumptions that the average daily trading values and volumes are ¥3.45 trillion for cash equities^{*1}, 36,000 contracts for 10-year JGB futures transactions, 108,000 contracts for TOPIX futures transactions, 213,000 contracts for Nikkei 225 futures transactions^{*2}, and ¥26.5 billion for Nikkei 225 options transactions^{*3}.

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

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

^{*3} Excludes Weekly Options transactions

2) Dividend Forecast

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

JPX adopts a dividend policy with a target payout ratio of approximately 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, 2021	As of June 30, 2021
	Mil. yen	Mil. yen
Assets		
Current assets		
Cash and cash equivalents	108,209	76,163
Trade and other receivables	14,936	17,895
Clearing business financial assets	53,649,780	55,488,219
Specified assets for deposits from clearing participants	5,996,143	5,399,131
Specified assets for legal guarantee funds	673	666
Income tax receivables	5,286	14,892
Other financial assets	116,800	115,600
Other current assets	2,033	1,628
Total current assets	59,893,862	61,114,197
Non-current assets		
Property and equipment	10,697	15,389
Goodwill	67,374	67,374
Intangible assets	35,977	37,320
Retirement benefit assets	8,204	8,189
Investments accounted for using the equity method	16,736	16,998
Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	5,309	3,974
Other non-current assets	6,181	6,139
Deferred tax assets	3,385	3,685
Total non-current assets	181,815	187,020
Total assets	60,075,678	61,301,218

	As of March 31, 2021	As of June 30, 2021
	Mil. yen	Mil. yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,132	5,353
Bonds and loans payable	32,500	32,500
Clearing business financial liabilities	53,649,780	55,488,219
Deposits from clearing participants	5,996,143	5,399,131
Legal guarantee funds	673	666
Trading participant security money	8,161	8,720
Income tax payables	15,038	5,830
Other current liabilities	8,746	18,373
Total current liabilities	<u>59,715,175</u>	<u>60,958,795</u>
Non-current liabilities		
Bonds and loans payable	19,960	19,961
Retirement benefit liabilities	9,018	9,128
Other non-current liabilities	2,336	4,624
Deferred tax liabilities	418	418
Total non-current liabilities	<u>31,732</u>	<u>34,133</u>
Total liabilities	<u>59,746,908</u>	<u>60,992,928</u>
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,746
Treasury shares	(1,825)	(12,487)
Other components of equity	992	430
Retained earnings	271,006	261,550
Total equity attributable to owners of the parent company	<u>321,391</u>	<u>300,740</u>
Non-controlling interests	7,378	7,549
Total equity	<u>328,769</u>	<u>308,289</u>
Total liabilities and equity	<u><u>60,075,678</u></u>	<u><u>61,301,218</u></u>

(2) Condensed Consolidated Statement of Income

	Three months ended June 30, 2020	Three months ended June 30, 2021
	Mil. yen	Mil. yen
Revenue		
Operating revenue	32,666	32,503
Other revenue	53	25
Total revenue	<u>32,720</u>	<u>32,528</u>
Expenses		
Operating expenses	15,235	14,504
Other expenses	0	10
Total expenses	<u>15,235</u>	<u>14,514</u>
Share of income of investments accounted for using the equity method	880	445
Operating income	<u>18,365</u>	<u>18,459</u>
Financial income	75	37
Financial expenses	25	25
Income before income tax	<u>18,414</u>	<u>18,471</u>
Income tax expense	6,153	5,955
Net income	<u>12,261</u>	<u>12,516</u>
Net income attributable to		
Owners of the parent company	12,082	12,291
Non-controlling interests	179	225
Net income	<u>12,261</u>	<u>12,516</u>
Earnings per share		
Basic (Yen)	22.57	23.02
Diluted (Yen)	—	—

(3) Condensed Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2020	Three months ended June 30, 2021
	Mil. yen	Mil. yen
Net income	12,261	12,516
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	(119)	208
Share of other comprehensive income of investments accounted for using the equity method	(0)	0
Other comprehensive income, net of tax	(119)	208
Comprehensive income	12,141	12,724
Comprehensive income attributable to		
Owners of the parent company	11,962	12,499
Non-controlling interests	179	225
Comprehensive income	12,141	12,724

(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
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2020	11,500	39,716	(1,548)	5,602
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	(119)
Total comprehensive income	–	–	–	(119)
Acquisitions of treasury shares	–	–	(353)	–
Dividends paid	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(1,640)
Other	–	–	–	–
Total transactions with the owners	–	–	(353)	(1,640)
Balance as of June 30, 2020	11,500	39,716	(1,902)	3,841

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen		
Balance as of April 1, 2020	242,958	298,228	7,146	305,375
Net income	12,082	12,082	179	12,261
Other comprehensive income, net of tax	–	(119)	–	(119)
Total comprehensive income	12,082	11,962	179	12,141
Acquisitions of treasury shares	–	(353)	–	(353)
Dividends paid	(16,090)	(16,090)	–	(16,090)
Transfer from other components of equity to retained earnings	1,640	–	–	–
Other	–	–	–	–
Total transactions with the owners	(14,449)	(16,443)	–	(16,443)
Balance as of June 30, 2020	240,590	293,747	7,326	301,073

Equity attributable to owners of the parent company

	Share capital	Capital surplus	Treasury shares	Other components of equity
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2021	11,500	39,716	(1,825)	992
Net income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	208
Total comprehensive income	–	–	–	208
Acquisitions of treasury shares	–	–	(10,777)	–
Dividends paid	–	–	–	–
Changes of interests in subsidiaries without losing control	–	32	–	–
Transfer from other components of equity to retained earnings	–	–	–	(771)
Other	–	(3)	115	–
Total transactions with the owners	–	29	(10,662)	(771)
Balance as of June 30, 2021	11,500	39,746	(12,487)	430

	Equity attributable to owners of the parent company		Non-controlling interests	Total equity
	Retained earnings	Total		
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Balance as of April 1, 2021	271,006	321,391	7,378	328,769
Net income	12,291	12,291	225	12,516
Other comprehensive income, net of tax	–	208	–	208
Total comprehensive income	12,291	12,499	225	12,724
Acquisitions of treasury shares	–	(10,777)	–	(10,777)
Dividends paid	(22,526)	(22,526)	–	(22,526)
Changes of interests in subsidiaries without losing control	8	41	(53)	(12)
Transfer from other components of equity to retained earnings	771	–	–	–
Other	–	112	–	112
Total transactions with the owners	(21,747)	(33,150)	(53)	(33,204)
Balance as of June 30, 2021	261,550	300,740	7,549	308,289

(5) Notes on Condensed Consolidated Financial Statements

(Note on Going-concern Assumption)

Not applicable

(Operating Revenue)

The breakdown of "Operating revenue" is as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2021
	Mil. yen	Mil. yen
Trading services revenue	13,630	12,391
Clearing services revenue	7,418	6,789
Listing services revenue	3,126	3,756
Information services revenue	5,723	6,711
Other	2,767	2,854
Total	32,666	32,503

(Operating Expenses)

The breakdown of "Operating expenses" is as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2021
	Mil. yen	Mil. yen
Personnel expenses	4,582	4,336
System maintenance and operation expenses	3,223	3,493
Depreciation and amortization	4,479	4,065
Other	2,949	2,608
Total	15,235	14,504

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Japan Exchange Group, Inc., and/or its affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.