

Basic Agreement Toward Realizing a Comprehensive Exchange

March 28, 2019



Overview of Basic Agreement

- The Companies will engage in deliberations in good faith towards the realization of a comprehensive exchange based on the basic agreement.

Objectives

- Maintain and develop Japan's derivatives market through the realization of a comprehensive exchange that enables one-stop trading in various products ranging from financial securities to commodity derivatives.

Business Combination

- Convert TOCOM into a wholly-owned subsidiary of JPX through TOB (+ squeeze-out).

Handling of Products

- Precious Metals, Rubber, and Agricultural Products: Transfer to OSE.
- Oil-related Products: Continue trading on TOCOM for the time being. Listing of new oil-related products on OSE will be discussed between the Companies.
- Electricity and LNG: Aim for listing and handling as a TOCOM market.

Clearing Organization

- Consolidate Japan Commodity Clearing House (JCCH) into Japan Securities Clearing Corporation (JSCC).

Others

- Determine post-combination business policies, management composition, organization, and other matters based on future deliberation.
- Give due consideration for existing trading participants in the realization of a comprehensive exchange.

The Challenge for Commodity Exchanges in Japan

- Although the world's commodity derivatives market is expanding, Japan's commodity derivatives market is shrinking. The business conditions for TOCOM continue to be difficult, and securing the sustainability of Japan's commodity markets has become a challenge.
- While exchanges that enables one-stop trading in various products ranging from financial to commodity derivatives have become mainstream in the world, in Japan, multiple exchanges are established under different legal bases, which impairs the convenience of investors.

Limited inflows from financial institutions due to market size and business opportunities not matching the burden of regulatory approval and market entry

Legal Basis	Financial Instruments and Exchange Act (FIEA)
Regulator	FSA
Participants	Financial Instruments Business Operators (FIBO)

Legal Basis	Commodity Derivatives Act
Regulator	METI, MAFF
Participants	Commercials, Commodity Derivatives Business Operators

Japan Exchange Group (JPX)

Tokyo Stock Exchange

- Cash Equities

Osaka Exchange

- Financial Derivatives
 - Equity Indices
 - Foreign Indices
 - Bonds
 - Individual Equities and others

Tokyo Commodity Exchange (TOCOM)

- Commodity Derivatives
 - Precious Metals
 - Oil
 - Rubber
 - Agricultural Products

The Significance of Realizing a Comprehensive Exchange

Improvement of Creditworthiness through the Business Combination

- Through the business combination with JPX, improve TOCOM's creditworthiness and secure the sustainability of Japan's commodity derivatives market.
- Through consolidating the clearing organizations, enhance the clearing function and the trustworthiness of the market.

Fundamental Improvement of Market Liquidity by Facilitating Inflows from Financial Institutions

- Increase convenience for market intermediaries and investors with trading of diversified products under unified regulatory oversight and infrastructure.
- Implement structural reform to rebuild the market with new inflows from financial institutions, such as global investors, and invigorate Japan's commodity derivatives market.

Establishment of a Market in Japan that Supports the Business of Commercials and Business Participants

- Contribute to the stability of resource procurement and hedging operations of commercials and business participants.
- Provide spot indices to facilitate production and circulation.
- Provide leading indices and contribute to stable operations of business participants.

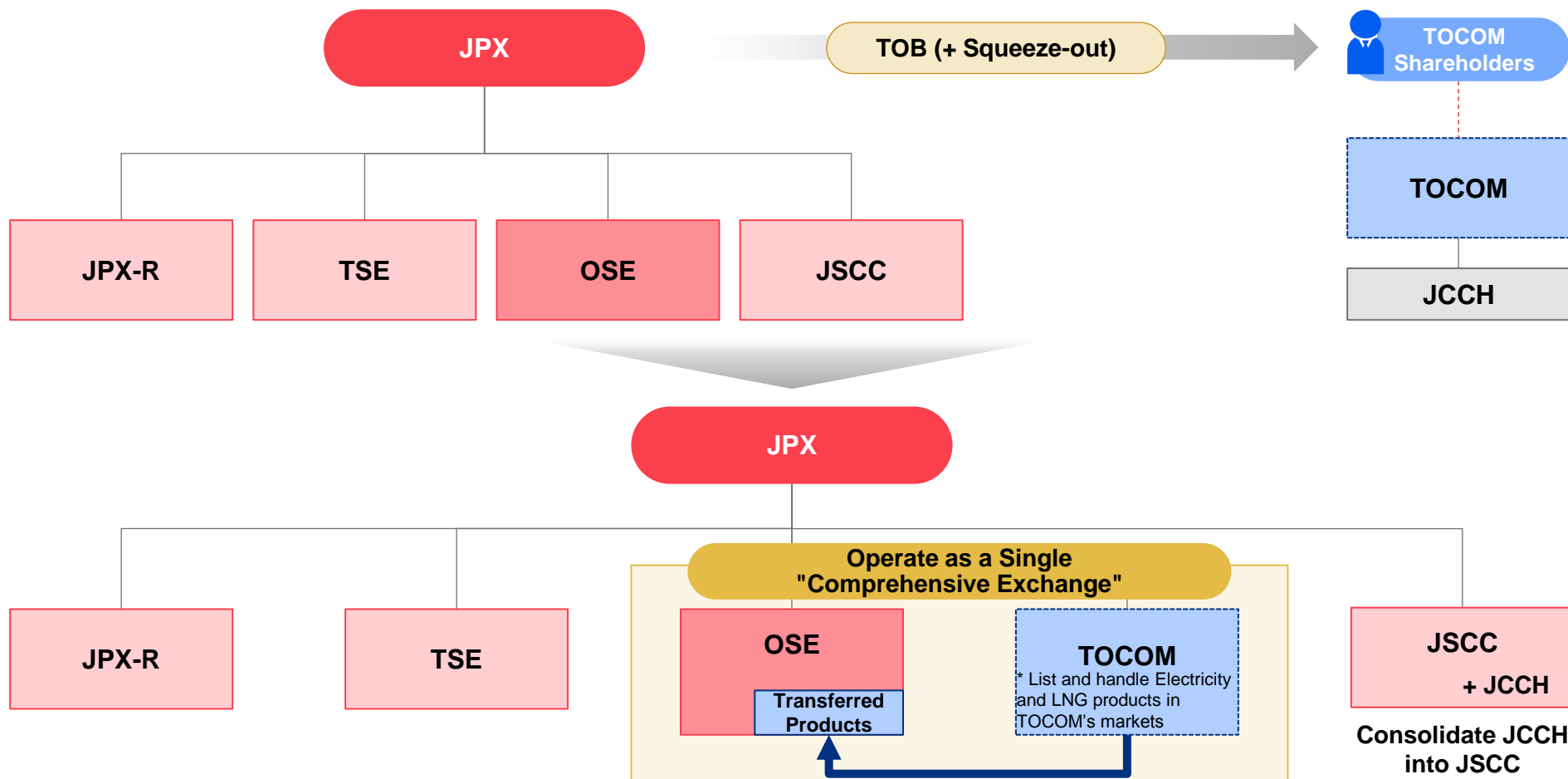
Enhancement of Tokyo's Global Competitiveness and Driving Growth in Market-related Industries

- Allow the intermediary and asset management businesses to thrive with increased entry by new investors.
- Allow the Tokyo market to demonstrate its presence as an economic hub in Asia and a highly transparent market that is open to the world.

The early realization of a comprehensive exchange will invigorate Japan's commodity derivatives markets, and contribute to the further development of Japanese companies and the Japanese economy.

Structure of Business Combination

- Convert TOCOM into a wholly-owned subsidiary of JPX through TOB (+squeeze-out), and then transfer products and consolidate JCCH into JSCC.



Product transfer results in unified handling under the FIEA and facilitates entry by FIBOs.

Schedule (tentative)

Today
(March 28, 2019)

Conclusion and Announcement of the Basic Agreement

Until Late June 2019

Conduct of Due Diligence Process

End of June 2019

Conclusion of the Final Agreement, Commencement of the Tender Offer

September 2019

Closing of the Tender Offer

October 2019

Completion of the Business Combination (Immediate Commencement of the Squeeze-Out Procedure in the Case of Any Non-tendering Shareholders)

⋮

Earliest Possible Date
around FY2020

Completion of Product Transfer, Consolidation of Clearing Organizations

Disclaimer



(Translation Disclaimer)

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 prevails. Japan Exchange Group, Inc. (“JPX”) and its subsidiaries and Tokyo Commodity Exchange, Inc. accept no responsibility or liability for damage or loss caused by any error, inaccuracy or misunderstanding with regard to this translation. This translation may be used only for reference purposes. JPX and its subsidiaries and Tokyo Commodity Exchange, Inc. maintain the right to claim compensation for any damage or loss it may suffer from the violation of these conditions.

(Forward-Looking Statements)

These materials contain statements that constitute forward-looking statements. Some of these statements express, for general management purposes only, group performance targets. Forward-looking statements are not a guarantee of future performance. These statements are based on assumptions, which may prove incorrect, and reflect our management’s current views or expectations with respect to future events or results rather than historical facts. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those we currently anticipate. Potential risks and uncertainties include, without limitation, that: (1) because our operations are restricted by law, we may experience competitive disadvantages if we are unable to receive in a timely manner or at all regulatory approvals necessary to pursue new business opportunities and new regulations or the manner of application or interpretation of existing regulations could restrict our current business or limit future business opportunities; and (2) because our group revenues are significantly affected by the level of market activity, they could be materially adversely affected by a general economic downturn, particularly in Japan, resulting in a reduction in trading volumes and liquidity of TSE-listed products.

(No Offer of Securities)

These materials are not an offer for sale of our securities in the United States or anywhere else. Our securities have not been registered under the U.S. Securities Act of 1933, as amended (“the Securities Act”) and may not be sold in the United States absent registration or an exemption from registration under the Securities Act.