

Policy on the Development of an Organizational Structure to Ensure Appropriate Implementation of Self-Regulatory Operations

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Japan Exchange Group, Inc.

Japan Exchange Group, Inc. (JPX Group) established Japan Exchange Regulation (JPX-R), an independent self-regulatory organization under the Financial Instruments and Exchange Act, in order to appropriately manage conflicts of interest that may arise between the self-regulatory functions of financial instruments exchanges under JPX Group, Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. (hereinafter referred to as the "financial instruments exchanges") and their profit-making nature as stock companies. The self-regulatory operations for the financial instruments exchanges under JPX Group are entrusted to JPX-R by the exchanges themselves.

As a financial instruments exchange holding company, JPX Group recognizes the importance of self-regulatory operations related to financial instruments exchanges and the general public's high expectations for such functions. In taking every measure possible to meet these expectations, JPX Group shall establish measures to ensure fairness, such as organizational measures to ensure the independence of self-regulatory operations. At the same time, by proactively investing in management resources, it will pursue improvements to the quality of self-regulatory operations through such means as preparing and complying with detailed operational manuals and enhancing training. The basic approach to develop an organizational structure is based on the following policies:

Ensuring independence related to self-regulatory operations:

- Matters concerning organizational measures

JPX Group established JPX-R to ensure that the self-regulatory operations of the financial products exchanges under its group are carried out appropriately, and so these exchanges will entrust their self-regulatory operations to JPX-R.

In doing so, JPX Group ensures the independence of its self-regulatory operations as JPX-R, which conducts the operations, is an independent organization from the financial instruments exchanges, which are market operators. At the same time, under financial products exchange holding company JPX Group,

appropriate implementation of self-regulatory operations by JPX-R will be ensured through appropriate collaboration based on a relationship of trust and cooperation between the financial products exchanges and JPX-R.

- Matters concerning the composition of the board of governors

To maintain JPX-R's independence, JPX Group ensures that the self-regulatory operations conducted by JPX-R are properly implemented through a structure in which the majority of its governors are outside governors, and the president is appointed from among these outside governors, in accordance with the provisions of the Financial Instruments and Exchange Act. (Outside governors are defined as individuals appointed who are not directors, board members or executive officers, or managers or other employees of a financial instruments exchange or its subsidiaries and have never served as directors, board members or executive officers, or managers or other employee of an entrusting financial instruments exchange or its subsidiaries.)

- Matters concerning division of duties at JPX-R

JPX Group ensures the proper implementation of self-regulatory operations at JPX-R by having the governor of JPX-R stipulate rules regarding the division of duties within JPX-R.

Measures to ensure the independence of JPX-R:

- Matters concerning ensuring a sufficient personnel structure

As a financial instruments exchange holding company, JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R by securing a sufficient personnel structure depending on business requirements with suitable cooperation from JPX-R.

- Matters concerning ensuring appropriate entrustment fee

JPX Group ensures the proper implementation of self-regulatory operations conducted by JPX-R by appropriately and clearly stipulating a method for calculating the amount of entrustment fees for self-regulatory operations entrusted to JPX-R in the contract for entrusting self-regulatory operations, as agreed upon by the financial instruments exchanges and JPX-R.

Measures to ensure effectiveness of self-regulatory operations conducted by JPX-R:

- Matters concerning management of changes in Business Regulations, etc.

JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R by obtaining consent from JPX-R, when a financial instruments exchange under JPX Group intends to change or abolish any of the matters prescribed in its Business Regulations or other regulations related to self-regulatory operations.

- Matters concerning recommendations provided by JPX-R

Under the contract for entrusting self-regulatory operations as agreed upon by the financial instruments exchanges and JPX-R, JPX Group ensures the proper implementation of self-regulatory operations conducted by JPX-R by carrying out fair and smooth transactions involving securities and market derivatives in the financial instruments exchange market operated by the financial instruments exchanges. It also takes measures such as requiring its financial instruments exchanges to report to JPX-R's Board of Governors on its recommendations concerning measures conducive to the sound development of financial instruments businesses and investor protection.

Coordination within JPX Group for self-regulatory operations:

- Matters concerning management of information pertaining to self-regulatory operations

JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R by stipulating that JPX-R shall not use information obtained in the course of self-regulatory operations for any purpose other than those for self-regulatory operations as stipulated in the contract for entrusting self-regulatory operations as agreed upon between the financial instruments exchanges and JPX-R under JPX Group.

- Matters concerning information sharing meetings, etc.

JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R by properly sharing information regarding business operations and other conditions at joint meetings between the financial instruments exchanges and JPX-R under JPX Group or through other means.

- Other matters relating to ensuring proper implementation of self-regulatory operations

JPX Group ensures proper self-regulatory operations conducted by JPX-R by providing appropriate management support to JPX-R and promoting close collaboration between the financial instruments exchanges and JPX-R under JPX Group, while developing an organizational structure in which each party can properly operate on its own initiative.

Miscellaneous:

- Matters concerning the compliance system

JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R, by means such as implementing a group-wide compliance program observed by the financial instruments exchanges and JPX-R, establishing and observing internal rules, such as the Charter of Corporate Behavior and Code of Conduct for Employees, having a Compliance Hotline in place as a whistle blowing system, and conducting ongoing awareness and educational activities in accordance with the Basic Policy on Establishment of Internal Control System.

- Matters concerning organizational structure for risk management

JPX Group ensures proper implementation of self-regulatory operations conducted by JPX-R by developing a group-wide organizational structure for risk management that is followed by the financial instruments exchanges and JPX-R in accordance with the Basic Policy on Establishment of Internal Control System.

- Matters concerning disclosure of necessary information for self-regulatory operations

JPX Group ensures the proper implementation of self-regulatory operations conducted by JPX-R by receiving essential information from financial instruments exchanges in the course of self-regulatory operations as stipulated in the contract for entrusting self-regulatory operations and as agreed upon by the financial instruments exchanges and JPX-R under JPX Group.