

(Reference Translation)

Basic Policy on Establishment of Internal Control System

1. Matters regarding Board Members and Employees that Support the JPX Audit Committee in Execution of Duties

In order to set forth matters regarding employees that support the Audit Committee in the execution of its duties, Japan Exchange Group, Inc. (hereinafter referred to as "JPX") shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (1) Employees assigned to the Audit Committee Office shall support the Audit Committee in the execution of its duties and follow the instructions of the Audit Committee.
- (2) Four or more employees, including an office director, shall be assigned to the Audit Committee Office.

2. Matters regarding Independence of Board Members and Employees that Support the JPX Audit Committee in Execution of Duties from JPX Executive Officers

In order to ensure the independence of employees assigned to the Audit Committee Office, JPX shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (1) JPX shall obtain consent from the Audit Committee (in cases where the committee has designated a specific Audit Committee member, from said member) in advance on matters regarding hiring, transfer, evaluation, salary, and discipline of employees assigned to the Audit Committee Office.
- (2) Executive officers and employees shall be careful not to undermine the independence of employees assigned to the Audit Committee Office by unduly restricting the execution of such employees' duties.

3. Matters regarding Ensuring the Effectiveness of Instructions by the JPX Audit Committee to Board Members and Employees that Support the Audit Committee in

Execution of Duties

In order to ensure the effectiveness of the instructions of the Audit Committee given to employees assigned to the Audit Committee Office, JPX shall establish "Rules regarding Employees that Support the Audit Committee in Execution of Duties", including the following details, as company rules, and apply such rules appropriately.

- (1) Employees assigned to the Audit Committee Office shall support the Audit Committee in executing its duties, and follow the instructions of the Audit Committee.
- (2) The director of the Audit Committee Office shall assist the Audit Committee in executing its duties and, for the purpose of smooth audits by the Audit Committee, shall oversee operations and take overall command of other employees assigned to the Audit Committee Office.

4. Frameworks for Reporting to the JPX Audit Committee, including Those Specified below

- (1) Frameworks for reporting to the Audit Committee, including for reports by JPX board members (excluding Audit Committee members), executive officers, and employees

In order to develop a framework for reporting to the Audit Committee, JPX shall establish "Rules regarding Reports to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- a. When a board member (excluding Audit Committee members), executive officer, or employee receives a request for a report on execution of duties from the Audit Committee or an Audit Committee member designated by the Audit Committee, said board member, executive officer, or employee shall promptly make an appropriate report.
 - b. When an executive officer or employee discovers a matter that may have material effect on the business or financial condition of JPX, its subsidiaries, or affiliated companies, said executive officer or employee must immediately report the details of said matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.
- (2) Framework for reporting to the JPX Audit Committee by a JPX subsidiary board member, auditor, executive officer, other person equivalent thereto, employee, or any person who has received a report from one of the above (hereinafter

collectively referred to as "Subsidiary Board Member, etc." in this item)

In order to develop a framework for reporting to the Audit Committee, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- a. When a Subsidiary Board Member, etc., JPX executive officer, or JPX employee receives a request for report on matters regarding the subsidiaries from the Audit Committee or an Audit Committee member designated by the Audit Committee, said Subsidiary Board Member, etc. shall promptly make an appropriate report.
- b. When a Subsidiary Board Member, etc., JPX executive officer, or JPX employee discovers a matter that may have material effect on the business or financial condition of any of the subsidiaries, said Subsidiary Board Member, etc. must immediately report the details of said matter to the Audit Committee or an Audit Committee member designated by the Audit Committee.

5. Frameworks for Ensuring that a Person who Makes a Report as in 4. Shall Not be Subject to Any Unfavorable Treatment for Reason of Having Made Said Report

In order to establish a framework for ensuring that a person who has made a report to the Audit Committee shall not be subject to unfavorable treatment for reason of having made said report, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (1) A person who has made a report to the Audit Committee or an Audit Committee member designated by the Audit Committee shall not be subject to any unfavorable treatment by JPX or its executive officers, employees, etc. for reason of having made said report.
- (2) JPX and its executive officers, employees, etc. must not subject a person who has made a report to the Audit Committee or an Audit Committee member designated by the Audit Committee to any unfavorable treatment for reason of having made said report.

6. Matters regarding the Policy for Handling Expenses or Payables in relation to Execution of Duties of JPX Audit Committee Members (limited to those related to the Execution of Duties of the Audit Committee), such as Procedures for Advance Payment or Reimbursement in relation to Execution of Such Duties

With respect to the policy for handling expenses or payables in relation to the execution of duties of Audit Committee members, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (1) When an Audit Committee member or the Audit Committee, for the purpose of conducting audits, claims expenses necessary for activities such as requesting advice from or entrusting investigation, appraisal, and other work to a lawyer, certified public accountant, or other outside experts, executive officers and employees may not refuse such claims unless the claimed expenses are deemed unnecessary for the execution of duties of Audit Committee members or the Audit Committee.
- (2) The provisions of the preceding item shall apply also to other expenses connected to the execution of duties of the Audit Committee including advance payment of retainer fees, and reimbursement of ex-post facto expenses.

7. Other Frameworks to Ensure Effectiveness of Audits by the JPX Audit Committee

In order to ensure the effectiveness of audits by the Audit Committee, JPX shall establish "Rules regarding Reporting to the Audit Committee, etc.", including the following details, as company rules, and apply such rules appropriately.

- (1) The representative executive officer shall regularly meet with the Audit Committee or an Audit Committee member designated by the Audit Committee and exchange opinions regarding management policies, issues that JPX should deal with, material risks involving JPX, maintaining a good environment for Audit Committee audits, and important issues facing audits, etc.
- (2) When an Audit Committee member designated by the Audit Committee delivers an opinion or requests an explanation at a meeting of the board of executive officers or another important meeting, executive officers and employees shall respond appropriately in good faith.

8. Frameworks to Ensure that Execution of Duties of JPX Executive Officers and Employees is in Compliance with Laws, Regulations, and the JPX Articles of Incorporation

JPX shall conduct operations in accordance with the division of duties and authority prescribed in company rules and shall ensure that the execution of duties is in compliance with laws, regulations, and the JPX articles of incorporation.

A compliance program shall be implemented with the following measures.

- (1) JPX shall establish and observe company compliance rules (including those related to information management), such as the "Charter of Corporate Behavior," which lays out universal values from the perspective of corporate ethics for executive officers and employees, and the employee code of conduct, which is a practical guideline for employee conduct.
- (2) JPX shall appoint a compliance executive officer (the CEO) and an officer in charge of compliance (the executive officer in charge of general administration), and establish a secretariat for operations related to compliance (within the general administration department) as an internal compliance system.
- (3) JPX shall establish and operate a compliance hotline as a whistleblowing system.
- (4) JPX shall conduct ongoing awareness and educational activities, such as holding liaison meetings for staff responsible for compliance, distributing compliance information over the intranet, and implementing in-house training through e-learning.

JPX shall enact the following measures based on the "Charter of Corporate Behavior" toward the exclusion of anti-social forces.

- (1) JPX shall take a firm stance against anti-social forces, which threaten public order and safety, and work to stop and prevent any relationship with such entities.
- (2) JPX shall work to prevent the intervention of anti-social forces in the markets and create sound and fair markets.

An internal auditing office shall be established under the direct control of the CEO and COO and conduct internal audits.

9. Framework regarding Management and Storage of Information related to Execution of Duties of Executive Officers

JPX shall set forth provisions regarding the handling of the storage of documents pertaining to the execution of duties of executive officers, such as minutes of the board of executive officers meetings, in the information security policy standards clarified in the company rules.

10. Rules and Other Frameworks regarding JPX Management of Risk of Losses

JPX shall employ a business operation framework in accordance with the division of

duties and authority clarified in the company rules, and said framework shall be based on the idea that board members, executive officers, and employees conduct business with an awareness of responsibly carrying out risk management in accordance with their own scope of duties and authority.

With a view to risk prevention, JPX shall gain awareness of risks facing the JPX corporate group, which is comprised of JPX and its subsidiaries (hereinafter referred to as "JPX group companies"), and prepare and manage appropriate measures against such risks. In addition, in order to develop a framework for regularly reporting such risks and measures, JPX shall establish as below a Risk Policy Committee with an outside director acting as the chair, a Risk Management Committee with the CEO acting as the chair, and a "Risk Management Policy", and shall implement said policy appropriately.

- (1) The Risk Policy Committee shall discuss matters concerning management of significant risks in JPX group companies, based on the comprehensive risk management framework specified in the "Risk Management Policy". The committee shall then make suggestions and submit reports on the discussion results to the board of directors.
- (2) The Risk Management Committee shall first obtain a comprehensive understanding of the status of day-to-day risk management at JPX group companies and what happens when risks become apparent or are deemed likely, then discuss what kind of responses would lead to quick solutions, and lastly report to the board of directors.

Particularly, JPX shall maintain a strong awareness of the core responsibilities of JPX group companies as market operators to stably provide opportunities for market users to trade with confidence. Furthermore, regarding risks related to the stable operation of systems, JPX shall enact the required and appropriate measures in its development and operation frameworks, such as implementing standardized development methods and adequate operational tests, preparing detailed operational manuals and complying with such, and maintaining thorough quality control pertaining to development and operations via the establishment of dedicated departments or divisions.

Moreover, in preparation for situations where the continued operation of the markets becomes difficult due to natural disasters, terrorist acts, etc., JPX shall establish a "Business Continuity Plan" to minimize the impact on related parties and carry out an appropriate response, through predetermining the frameworks and procedures necessary for resuming operations as quickly as possible.

Additionally, in consideration of the importance of self-regulatory functions to JPX group companies as market operators and the general public's high expectations of said functions, with regard to risks relating to the proper function of self-regulatory operations (various risks including reputation risk in cases where self-regulatory operations are not carried out appropriately), JPX shall establish measures to maintain fairness, such as organizational structures to ensure the independence of self-regulatory operations. At the same time, proactively investing management resources, JPX will pursue improvements to the quality of self-regulatory operations through such means as preparing detailed operational manuals and complying with such, as well as enhancing educational training.

11. Frameworks to Ensure Efficient Execution of Duties of JPX Executive Officers

JPX shall establish a framework for the management of operations in accordance with the division of duties and authority clarified in the company rules so as to specialize and enhance operations through a system of divided labor. Within this framework, JPX shall allow authority to be delegated according to the importance of the duties in question and therefore improve the mobility of decision-making procedures.

JPX shall improve the effectiveness of operations through formulating medium-term management and annual budget plans with the appropriate combination of top-down management and bottom-up operations at the departmental level, etc. and also implementing appropriate management of progress toward these plans.

12. Frameworks to Ensure Proper Operations by the Corporate Group Comprised of Parent Company JPX and its Subsidiaries

- (1) Framework for reporting the execution of duties of board members, executive officers, and persons equivalent thereto of JPX subsidiaries (hereinafter collectively referred to as "Board Members, etc. of JPX Subsidiaries") to JPX

JPX shall conduct business management of its subsidiaries based on business management agreements or request various reports based on "Affiliated Company Management Rules."

- (2) Frameworks including rules regarding management of risk of losses that may be incurred by JPX subsidiaries

JPX shall conduct business management of its subsidiaries based on business management agreements or request them to report their risk management situation based on "Affiliated Company Management Rules", as well as providing advice, etc.

on an as-needed basis.

(3) Framework for ensuring efficient execution of duties by Board Members, etc. of JPX Subsidiaries

JPX shall facilitate efficient execution of duties by JPX group companies based on business management agreements or "Affiliated Company Management Rules", by appropriately managing and supporting subsidiaries in accordance with each JPX group company's corporate positioning and scale.

(4) Framework for ensuring that the execution of duties by Board Members, etc. of JPX Subsidiaries and employees of said subsidiaries is in compliance with laws, regulations, and the relevant articles of incorporation

JPX shall conduct ongoing awareness and educational activities, such as holding liaison meetings with staff responsible for compliance at JPX group companies and disseminating information on compliance.

JPX shall conduct business management of its subsidiaries based on business management agreements or request them to establish a compliance hotline as a whistleblowing system based on "Affiliated Company Management Rules", as well as providing advice, etc. on an as-needed basis.

JPX shall request its subsidiaries to report results of internal audits by the JPX internal auditing office or those of internal audits by the subsidiaries based on business management agreements or "Affiliated Company Management Rules," and provide advice, etc. on an as-needed basis.

(5) Other Frameworks to Ensure Proper Operations within the Corporate Group Comprised of JPX and its Subsidiaries

JPX shall establish the "Charter of Corporate Behavior", which lays out universal values from the perspective of corporate ethics for executive officers and employees of JPX group companies.

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