

Asia's Primary Exchange

**An Interview with Atsushi Saito,
President and Chief Executive Officer,
Tokyo Stock Exchange, Inc. and Tokyo Stock Exchange Group, Inc.**

EDITORS' NOTE *Atsushi Saito graduated from Keio University in 1963 and worked at Nomura Securities Co., Ltd. for 35 years. In 1986, he was appointed as a member of the board. At Nomura, Saito worked in Treasury and Fixed Income Dealing and several other divisions, and served as Deputy President and in many other executive roles. After retiring from Nomura, Saito served as President and then Chairman of Sumitomo Life Investment Co., Ltd. In April of 2003, Saito became President of the Industrial Revitalization Corporation of Japan. He was appointed President and CEO of Tokyo Stock Exchange, Inc. in June of 2007, and in August of the same year, became the first President and CEO of Tokyo Stock Exchange Group, Inc., the holding company for the market operation company and the self-regulation corporation.*



Atsushi Saito

COMPANY BRIEF *Formerly a membership organization, the Tokyo Stock Exchange (www.tsa.or.jp; TSE) is a stock corporation that provides an Exchange Securities Market under authorization of the Prime Minister. A revision of the Securities and Exchange Law allowed a stock exchange to transform its organizational structure into a stock corporation so, in November of 2001, the Stock Exchange became a stock corporation. TSE is a central institution in the secondary market and its major functions are as follows: provision of a marketplace; monitoring trading; listing securities; monitoring listed securities; and supervision of trading participants. TSE maintains regional offices in North America, Europe, and Asia.*

How much of an impact has the global economic crisis had on the Japanese economy and where do you see the market today in terms of recovery?

The recent financial crisis, while originating in the U.S., has had a very serious impact on the Japanese economy. Though TOPIX has recovered to the current 970 points after dropping to a low of less than 700 points last March, conditions remain a great deal lower than pre-crisis levels. Also, real economy continues in a recession identical to the one following the bubble burst, with an unemployment rate of 5 percent. There is, however, a bright spot to be found in some

economic indicators, and I believe that our economy will start toward real recovery in the future along with the U.S. and the rest of the world.

How essential is the role of the Tokyo Stock Exchange in achieving steady growth and sustainable prosperity in the Japanese economy?

The recent crisis has caused Japan to reevaluate its industrial structure. Up until now, Japanese industry has relied on the premise of overproduction and over-consumption for growth. I believe

that we will now ask ourselves how stable and sustained growth can be achieved through social economics. As a stock exchange, our most vital role is supporting a reform of the structure of Japanese industry in the long term through adjustments to the market to provide new areas, such as the environmental fields, with funds for growth.

TSE drew up the "Business Plan for FY2010" in light of its efforts and achievements over the past two years and the current business environment. Would you provide an overview of the plan and how you feel it will secure the position of TSE as the premier exchange in Asia?

As the TSE group heads into the final year of the medium-term management plan, in light of efforts and achievements in the past two years and the current business environment, the group will position FY2010 as a year for constructing a robust profit structure by expanding the size of the market and constructing a growth framework based on a diversified revenue base. TSE will continue to strive for growth and the next leap forward through strong, customer-oriented strategic marketing. TSE will improve stability in its business base through solid execution of this year's business plan, and I am confident that we will be able to further solidify our place as Asia's primary exchange for the foreseeable future.

TSE recently announced the launch of the first dividend index futures market in Asia, which is scheduled for July 26, 2010. Would you highlight the importance of this launch and your outlook for the dividend index futures market?

Dividend index futures will be listed on the TSE market starting on July 26th. Given that dividend index futures are traded in significant amounts by institutional investors on major overseas exchanges, we have introduced

the same product in Japan with hopes of expanding the derivatives market and supplying institutional investors and other market participants with a wide range of investment options. In the future, dividend index futures will include Nikkei 225-based products in addition to TOPIX, and we hope for lively trading activity supporting various other investment needs, such as arbitrage between products.

How much of an impact has technology had on TSE and what changes do you expect in the future for TSE in regard to new technology?

With the launch of the new cash market trading system "arrowhead" last January, and the options trading system "Tdex+" in October 2009, the TSE market has evolved an execution environment that is competitive with that of any of the world's major exchanges. These developments allow the participation of a new type of investor who utilizes high-frequency trading and algorithmic trading, trends which are currently growing in popularity overseas. I believe these types of investors will bring abundant liquidity and further improve the efficiency of the TSE market in the future.

With regard to arrowhead in particular, we are continuing successful operations, with processing speeds surpassing the estimated two millisecond order response time, and we have received an overwhelmingly positive reaction from market participants. We hope our world-class trading environment will advance the participation of professional investors on a global basis further than any other Asian exchange.

You serve as a board member of the World Federation of Exchanges (WFE). How do you define the role of WFE and what makes the organization so important for the industry?

With the globalization that is occurring in securities markets, it is vital that the market-related parties in each country cooperate in their efforts to manage and develop the market. The WFE is a highly effective organization that provides a cooperative network through which member exchanges can share their knowledge and experience while promoting fair and transparent market operations. The financial crisis exposed the transparency problems of OTC transactions, and I believe the role of the stock exchange will become even more essential in the future. Globalization will continue to progress along with the advancement of IT technologies, which will further accent the significance of the WFE. ●