

2011



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Business Report 2010

For the fiscal year ended March 31, 2011



Tokyo Financial Exchange Inc.



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To Our Shareholders

We would firstly like to express our sincere gratitude to our shareholders for your continued support of our operations and business.

We would also like to express our deepest condolences to the victims of the Great East Japan Earthquake that struck on March 11, 2011, and our sincerest wishes for the speedy recovery of the affected areas.

In fiscal year 2010, the global economy was generally recovering. However, a surge in crude oil prices resulting from rising tensions in the Middle East from the beginning of 2011, concerns over inflation in emerging economies, and other adverse factors made the outlook increasingly uncertain.

The domestic Japanese economy, meanwhile, continued to stage an overall recovery. In the aftermath of the March earthquake, however, growth turned negative once again. Although reconstruction demand is as expected, the road to recovery remains uncertain.

In the short-term money markets, because the Bank of Japan adopted a notably accommodative monetary policy, interest rates continued to decline steadily. Rates then fell further when the Bank introduced comprehensive monetary easing in October 2010. Although the Bank of Japan was providing ample liquidity in the wake of the Great East Japan Earthquake, the financial markets were in a state of paralysis.

In foreign exchange markets, exchange rates fluctuated significantly, mainly reflecting the reemergence of repeated fiscal crises in Southern Europe. In September 2010, the monetary authorities conducted a foreign exchange intervention to correct the appreciation of the yen, and in November 2010, the yen began to ease following the adoption of a second round of quantitative easing (QE2) by the FRB. The yen also temporarily hit a record high at the end of fiscal 2010, after the earthquake.

The stock market was generally declining in the first half of fiscal year 2010, but it began to rise in the second half of the fiscal year, spurred by the impact of monetary easing and optimism about the economic recovery. The market, however, weakened once again after the devastating earthquake and tsunami.

Annual trading volumes of Three-Month Euroyen Futures fell 5.7%

year on year, to 11 million lots and, as activity in the short-term money markets slowed with the continued loose monetary policy of the Bank of Japan.

Trading volumes of Click 365, the Exchange FX Margin Contracts, temporarily fell with the introduction of margin restrictions against FX margin transactions (so-called leverage restrictions) in August 2010. However, volumes recovered to their previous level two months later. As a result, with the increase in the number of trading members and the number of accounts, annual trading volumes jumped 53.6% from the previous fiscal year, to 123 million lots.

Annual trading volumes of Click kabu 365, Exchange Equity Index Margin Contracts, which were listed in November 2010, reached 447 thousand lots in fiscal 2010.

In total, the trading volume of all products during fiscal 2010 was 135 million lots, up 46.2% from the previous fiscal year.

As a result, operating revenues climbed 28.5% year on year, to 10,966 million yen, the first time revenues have topped the 10 billion yen level since fiscal 2007.

Net income also jumped 29.7% from the previous fiscal year, to 2,242 million yen.

We will continue our efforts to bolster trading volumes by improving the convenience of existing listed products, and developing new products that meet investor needs. We are also resolved to achieve profitable operations through comprehensive cost cutting.

We are also committed to maintaining market fairness and reliability, and effectively managing the markets in a transparent manner.

We sincerely ask you, our shareholders, for your ongoing support and cooperation.

June 2011

President and CEO **Shozo Ohta**



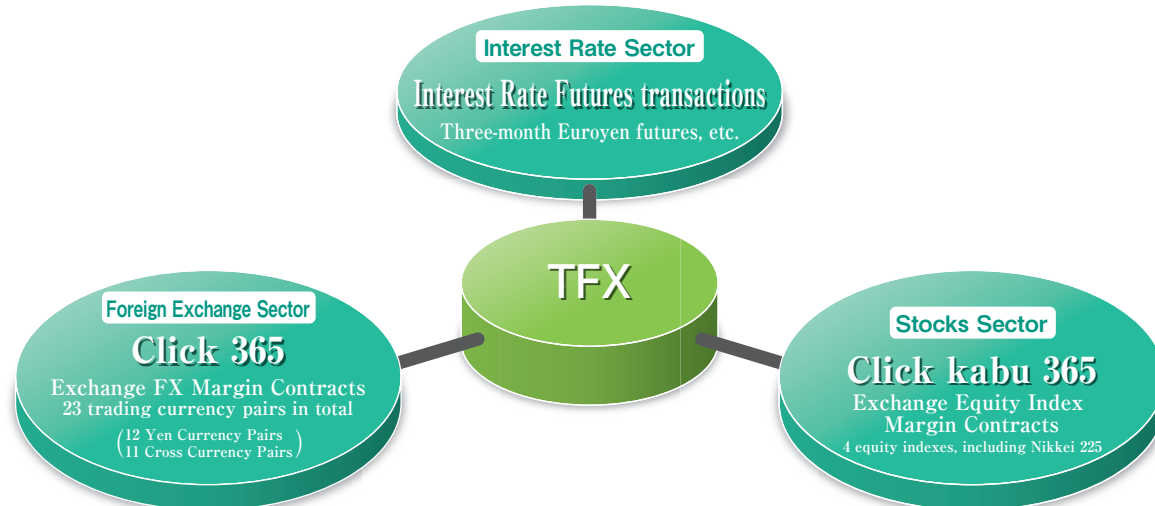
Operations of Tokyo Financial Exchange

Tokyo Financial Exchange (TFX) contributes to the sound development of the financial markets and the economy of Japan by developing financial instruments markets, as public infrastructure related to financial instruments transactions that provides a superior degree of fairness, reliability, and convenience.

Tokyo Financial Exchange is engaged in the following operations in accordance with the Financial Instruments and Exchange Act:

- | | | |
|--|---|--|
| <p>(i) TFX, as a financial instruments exchange, establishes a financial instruments market, provides facilities for the market, publishes market prices, and is engaged in other operations related to the establishment of a financial instruments market.</p> | <p>(ii) TFX, as a clearing organization for transactions of financial instruments, is engaged in the financial instruments obligation assumption business associated with market derivatives transactions carried out on the market established by TFX.</p> | <p>(iii) TFX, as a self-regulatory organization, is engaged in operations such as examining the details of transactions and inspecting trading members, to ensure the fairness, transparency, and reliability of the market.</p> |
|--|---|--|

TFX, as a comprehensive exchange for financial derivatives, has listed products that cover all three major sectors for financial derivatives: interest rates, foreign exchange, and stocks.



Financial Accounts - Highlights

	FY2006	FY2007	FY2008	FY2009	FY2010	Change from FY2009
Operating Revenues (million yen)	10,774	12,123	8,458	8,532	10,966	+28.5%
Operating Profit (million yen)	7,021	7,565	2,660	2,525	3,927	+55.5%
Ordinary Profit (million yen)	7,166	7,731	2,817	2,770	4,232	+52.8%
Net Income (million yen)	7,188	5,228	1,444	1,728	2,242	+29.7%
Net Income per Share (yen)	8,296.63	6,060.24	1,674.18	2,004.01	2,599.02	+29.7%
Total Assets (million yen)	108,110	174,955	163,134	180,674	238,807	+32.2%
Net Assets (million yen)	19,717	19,554	20,136	21,433	23,244	+8.4%
Net Assets per Share (yen)	19,269.90	22,665.33	23,339.52	24,843.53	26,942.55	+8.4%

Outline of Financial Results

Operating revenues rose 28.5% over the previous fiscal year, to 10,966 million yen, given an increase in trading volumes for Click 365, which noticeably offset a decline in volumes for Three-Month Euroyen Futures.

Operating expenses increased 17.2% year on year, to 7,039 million yen, mainly reflecting an increase in expenses related to systems as a result of the listing of Click kabu 365.

Operating profit jumped 55.5%, to 3,927 million yen, thanks to the steady increase in transactions of Click 365. Despite the recording of extraordinary losses, the result of the application of the accounting standards for asset retirement obligations, and other factors, net income rose 29.7% from the previous fiscal year, to 2,242 million yen.

Net income per share rose 29.7% year on year, to 2,599.02 yen, and net assets per share increased 8.4%, to 26,942.55 yen.

Taking into account strong results achieving higher revenues and profits for the fiscal year under review, we decided to increase dividend payments per share by 200 yen compared with those for the previous fiscal year, to 700 yen, with a dividend payout ratio amounting to 26.9%.

We will continue to focus on the return of profits to our shareholders.

Market Highlights

Annual Trading volume(Change from previous fiscal years)

Total Trading Volume of Listed Products (in thousands)		
FY2008	FY2009	FY2010
67,596 (▲8.7%)	92,549 (+36.9%)	135,346 (+46.2%)

Three-Month Euroyen Futures (in thousands)

FY2008	FY2009	FY2010
18,584 (▲47.4%)	12,161 (▲34.6%)	11,466 (▲5.7%)

Click 365 (in thousands)

FY2008	FY2009	FY2010
48,334 (+37.0%)	80,368 (+66.3%)	123,432 (+53.6%)

Click kabu 365 (in thousands)

FY2008	FY2009	FY2010
—	—	447 (—%)

Summary of markets

Trading volumes of Three-Month Euroyen Futures declined for the fourth consecutive term, but volumes of Click 365 continued to rise for the fifth consecutive term since its listing. Click kabu 365 was listed and started trading in November 2010. As a result, the total trading volume of listed products rose 46.2% from the previous fiscal year, to 135 million lots and, exceeding 100 million for the first time.

TFX was ranked 18th among global derivatives exchanges in terms of annual trading volumes in 2010.

▶ Future Outlook for Tokyo Financial Exchange

Q1 • Fiscal 2010 was the final year of the Medium-Term Business Plan, which was established in May 2008 as the inaugural plan made by Tokyo Financial Exchange. Please explain the achievements over these three years.

A1 • Under the previous Medium-Term Business Plan, we set three management goals. These were as follows:

- (i) Establish a comprehensive exchange for financial derivatives that covers all three major sectors – namely, interest rates, foreign exchange, and stocks;
- (ii) Achieve annual trading volumes of 150 million and ROE of 15% or similar levels in fiscal 2010;
- (iii) List the shares of TFX on a stock exchange in 2011.

With respect to (i), we became a comprehensive exchange for financial derivatives by listing Click kabu 365 in November 2010. As for (ii), as a result of the increase in trading volumes of Click 365, total trading volumes of all products reached 135 million, only a little shy of 150 million. We could not, however, achieve the targeted ROE, given the difficult management environment following the collapse of Lehman Brothers and other factors. With respect to (iii), given sluggish conditions in the stock market due to the global financial crisis, and other factors, we have decided to revise the timing of the listing of TFX. We are, at present, steadily making preparations for our listing.

With this progress, I think that we achieved most of the goals of the Medium-Term Business Plan.

Q2 • Tokyo Financial Exchange established a new Medium-Term Business Plan in April 2011. Can you explain the

details?

A2 • Under the new Medium-Term Business Plan, we will improve and strengthen TFX's management foundation as a comprehensive exchange for financial derivatives that we achieved in fiscal 2010.

We seek to enhance investor convenience and the trading volumes of existing products in each sector of interest rates, foreign exchange and stocks, while developing new products that meet investors' needs. With these initiatives, we will achieve total trading volumes of 300 million, expand our business foundations, and bolster earnings in fiscal 2013. We will also complete the listing of TFX shares after taking into account the state of the stock market and other relevant factors.

Q3 • The trading environment for Three-Month Euroyen Futures remains challenging. What kind of policies will you adopt during the current fiscal year?

A3 • Trading volumes for Three-Month Euroyen Futures declined for the fourth consecutive term in fiscal 2010, as demand for hedging interest rates has declined with recent ultralow interest rates in the short-term money market. Given these severe conditions, we will develop a trading environment conducive to a wide range of investors, both in Japan and overseas.

We will take the following specific measures:



- (i) List new products based on the LIBOR, in addition to those based on the TIBOR;
- (ii) Enhance market liquidity by adopting a liquidity provider scheme;
- (iii) Establish a global network to capture overseas business;
- (iv) Improve overseas marketing and the support system for overseas customers.

Q4 • Margin restrictions for FX margin transactions (so-called leverage restrictions) were introduced in August 2010. These restrictions are expected to be strengthened in August 2011. In this environment, how do you see the outlook of the market for Click 365?

A4 • Previously, there were no limitations on the margin ratio, but with the restrictions, the ratio is limited to 50 times. This has severely impacted the activities of investors who dealt at high leverage levels. However, because transactions through Click 365 were mostly carried out at low leverage levels, the restrictions have had very little impact on trading.

The margin ratio will be halved this year. I believe that this will contribute to the sound growth of the foreign exchange margin market. We are resolved to further invigorate the Click 365 market by offering attractive new products through the new listing of Asian currencies, and expanding the number of broker members.

Q5 • With the listing of Click kabu 365 in November 2010, Tokyo Financial Exchange has successfully entered the

securities derivatives sector. How do you expect to revitalize the market in the future?

A5 • Since its listing in 2010, Click kabu 365 has steadily expanded the number of trading accounts and the outstanding balance of margins.

To further respond to the needs of investors and bolster the attractiveness of Click kabu 365, we will aim to list a wide range of stock index products for the United States and emerging economies. We will also improve liquidity by increasing the number of market makers from the two we currently have.

We are also planning aggressive and large-scale public relations strategies to bolster the visibility of TFX to investors.

Q6 • What is your vision for the future direction of Tokyo Financial Exchange?

A6 • Under the new Medium-Term Business Plan, TFX, as a comprehensive exchange for financial derivatives, aspires to contribute to the revitalization of the Japanese financial markets by meeting the needs of investors both in Japan and overseas and listing sound and attractive investment products.

We will continue to make every effort to manage a transparent and efficient market.



Topic 1 History of Click 365 (Fifth Anniversary)

Click 365, Exchange FX Margin Contracts, achieved its fifth anniversary last fiscal year since its listing as Japan's first public foreign exchange market in July 2005. Through these years, Click 365 has steadily expanded its market as investors came to understand the structure of Click 365, with its advantageous pricing and its superior features, including the reliability of the public exchange, tax benefits, and the protection of margin money.

(i) Increase in the number of listed currency pairs

July 2005 : Listing of Click 365, Exchange FX Margin Contracts (four currency pairs at the time of listing)

October 2005 : Three currency pairs added.

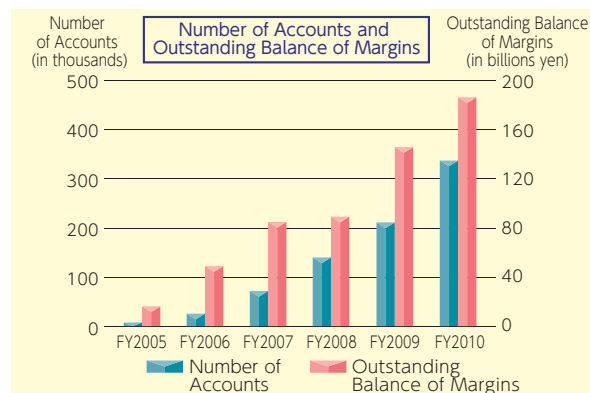
October 2008 : 16 currency pairs added. (A total of 23 currency pairs to date)

August 2011 : Three Asian currency pairs are due to be listed.

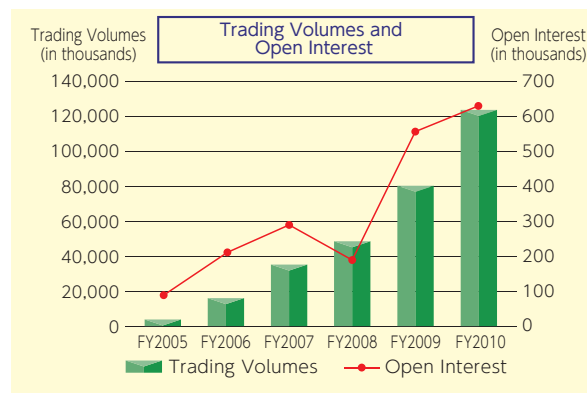
(ii) Changes in the number of trading members and market makers

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Number of Trading Members	14	15	17	22	23	29
Number of Market Makers (out of Trading Members)	3	3	3	6	5	6

(iii) Changes in the number of accounts and the outstanding balance of margins



(iv) Changes in trading volumes and open interest



(v) Upgrading of the trading systems

To improve market convenience, in October 2008, TFX upgraded its trading systems and bolstered their processing capabilities and functions.

Click 365 Fifth Anniversary Fair

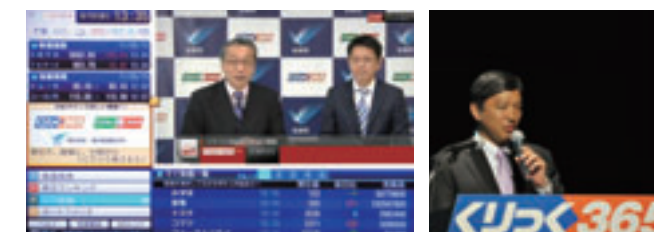
Commemorating the fifth anniversary of the listing of Click 365, TFX held the Click 365 Fair in Osaka and Tokyo. During the fair, TFX arranged special lectures by prominent experts, presentation booths provided by trading members, a wide range of presentations, and various other events.



Active Promotional Activities

TFX has been actively engaged in promotional activities via the media, including television, radio, and internet advertisements, to ensure that Click 365 is used by as many investors as possible.

Since May 2011, TFX has been sponsoring Click 365 Market Information, a program in Tokyo Market Wide on TOKYO MX TV (Channel 9 on terrestrial digital broadcasting), from Monday to Friday between 11.00 a.m. and 11.15 a.m.



With strong support from investors, Click 365 has steadily expanded its trading volume.

TFX will continue to strive to maintain Click 365 as an attractive investment product in the future to meet the requirements of customers by improving and bolstering Click 365's specifications to suit investors' needs.

[List of Trading Members (in alphabetical order)]

ACE KOEKI Co., Ltd., Cosmo Securities Co., Ltd., CyberAgent FX, Inc., Daiwa Securities Co. Ltd., FX Trading Systems Co., Ltd., Gaitame.Com Co., Ltd., GMO CLICK Securities, Inc., HiroginUtsumiya Securities Co., Ltd., INVAST SECURITIES CO., LTD., kabu.com Securities Co., Ltd., Kanetsu FX, INC., KOYO FINANCIAL TRADE Co., Ltd., MITA SECURITIES Co., Ltd., Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd.*, OKASAN ONLINE SECURITIES CO., LTD., OKAYASU SHOJI CO., LTD., Rakuten Bank, Ltd., Retela Crea Securities Co., Ltd., SBI Sumishin Net Bank, Ltd., STAR KAWASE SECURITIES CO., LTD., TRADERS SECURITIES CO., LTD., YUTAKA SHOJI Co., Ltd.

Market Makers: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, COMMERZBANK AKTIENGESellschaft, Deutsche Securities Inc., Goldman Sachs Japan Co., Ltd.

*Nomura Securities Co., Ltd. is also engaged in market making operations.

Risks related to product specifications.....Since the transaction amount is much larger than the deposited exchange margin, these fluctuations may cause a loss exceeding the deposited exchange margins, depending on market conditions.

Risks of changes in tax systems, laws, etc.....Changes in tax systems, laws or their future interpretation may cause unfavorable results.

Topic 2 Listing of Click kabu 365

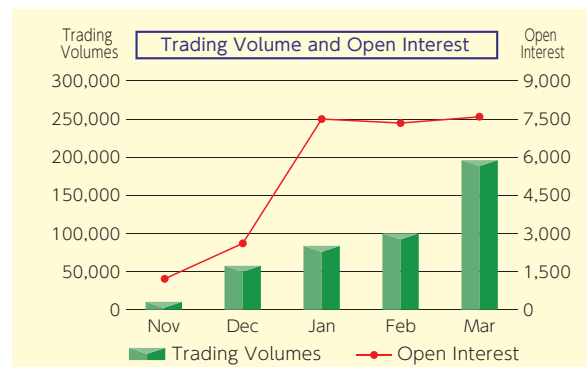
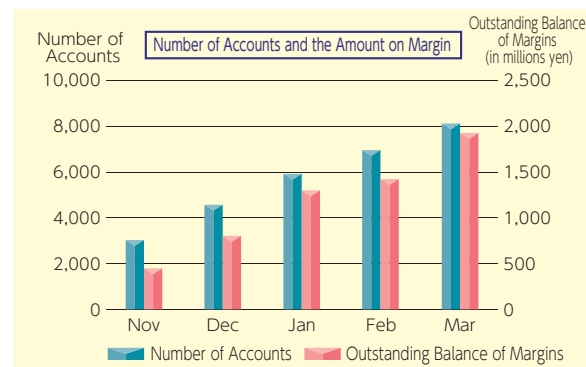
On November 22, 2010, Tokyo Financial Exchange started trading of Click kabu 365, Exchange Equity Index Margin Contracts.

List of Trading Members (in alphabetical order)

Cosmo Securities Co., Ltd., INVAST SECURITIES CO., LTD., Kanetsu FX, INC., Monex, Inc., OKASAN ONLINE SECURITIES CO., LTD., STAR KAWASE SECURITIES CO., LTD., YUTAKA SHOJI Co., Ltd.

Market Makers (in alphabetical order)

Daiwa Securities Capital Markets Co., Ltd., Deutsche Securities Inc.



Features of Click kabu 365

(1) Stock Indices Traded

Click kabu 365 provides 4 global stock indexes, including the Nikkei 225, to investors.

Nikkei 225	A stock index that comprises 225 issues listed on the First Section of the Tokyo Stock Exchange, which are selected by taking into account the liquidity in the market, the balance of business sectors, and other factors
FTSE100	A stock index that comprises the 100 most highly capitalized companies listed on the London Stock Exchange
DAX®	A stock index that comprises 30 major companies listed on the Frankfurt Stock Exchange
FTSE/CHINA 25	A stock index that comprises the 25 largest Chinese companies by market capitalization and liquidity, which are listed on the Hong Kong Stock Exchange

The Nikkei 225 is a representative indicator of the Japanese economy and the best known stock index in Japan. TFX also handles other major global indexes, including the FTSE 100 of the United Kingdom, the DAX® of Germany, and other indexes in Asia, to ensure that investors can invest in their countries of interest.

(2) Trading hours

The Nikkei 225 Margin contracts are tradable virtually 24 hours a day. Due to this feature, investors can trade the Nikkei 225 on a real-time basis, even at night when the stock market is closed in Japan, without missing price movements that may be caused by fluctuations in major global stock markets. Overseas stock indexes are, in principle, tradable during the local trading hours of each index.



(3) Overseas stock indexes are traded in yen

Overseas stock indexes contracts have a simple structure, in which investors can trade the indexes in yen without needing to be concerned about fluctuations in foreign exchange rates.

(4) Buyers and sellers pay or receive interest and dividend cash flows.

TFX computes interest and dividends that investors will pay and receive in accordance with their trading positions.
(Note) DAX® Margin Contract is a stock index that includes dividends. As a result, no dividend payments are involved.

(5) Investments can start from a small amount

By depositing margin as collateral, investors can enter into transactions with a small amount of funds (margin deposits).

Risks related to product specifications...Because trading amounts are large compared with margins deposited, losses that exceed the margins deposited may occur as a result of market fluctuations.

Risks related to forecast of dividends...TFX calculates the dividend amount as the theoretical amount that will impact the equity index in the future based on the forecast of dividends as of the last cum-rights date. The amount equivalent to the dividends calculated by TFX is resultantly different from that calculated based on actual dividend payments, or forecast of dividends or actual dividends for the actual shares that comprise the index.

1. Interest Rate Futures

▶ Remote Trading Member

TFX was the first exchange to adopt a remote membership scheme in Japan. Subsequently, on September 1, 2010, G.H. Financials Limited became a remote trading member.

This was the first instance for a Japanese exchange to permit an overseas investor, which does not have a trading office in Japan, to acquire trading membership.

2. Click 365 and Click kabu 365

▶ Increase in the Number of Trading Members of Click 365

The following companies have started to trade as trading members:

- GMO CLICK Securities, Inc., (August 2010)
- Mizuho Securities Co., Ltd. (January 2011)
- FX Trading Systems Co., Ltd. (February 2011)
- KOYO FINANCIAL TRADE Co., Ltd. (March 2011)

In August 2010, Nomura Securities Co., Ltd., which was engaged in market making operations, commenced brokerage operations of Click 365.

3. Marketing and Communication Activities

▶ Communication with overseas investors

TFX participated in exhibitions and international conferences that were organized by the Futures Industry Association (FIA) and others (in Chicago, Boca Raton, London, and Singapore). Through these activities, TFX sought to promote its operations to overseas players, and further improve the convenience of its market by actively communicating with institutional investors, financial institutions, and other investors.

TFX also held basic seminars on trading regulations and other matters for trading members' new staff.

▶ Proximity Services

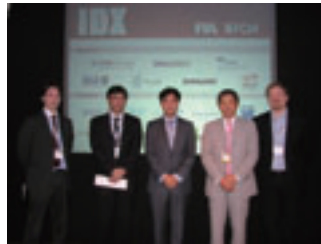
To respond to the needs of market participants requiring a high-speed, high-quality and cost-effective connection environment, in November 2010, TFX adopted the services of KVH Co., Ltd. for TFX Proximity Services* for its interest rate systems. KVH Co., Ltd. is a market leader in network communication specializing in high-frequency transactions.

* A connection method in which access is made from market participants' hardware (trading servers and other hardware) installed in a data center designated by TFX to the market managed by TFX via a high-speed network

▶ Seminars

To further enhance investors' understanding about Click 365 and Click kabu 365, TFX held Click 365 Fairs and Click Fairs on four occasions. In fiscal 2010, the seminars were held in Tokyo and Osaka with guest speakers from the business and academic communities.

TFX also sponsored other seminars held by trading members, media, and other organizers.



1 Listing of LIBOR Futures (Interest Rate Futures)

TFX currently lists Euroyen futures based on the Tokyo Interbank Offered Rate (TIBOR). To respond to the increasingly diversified needs of trading members, TFX will also list Euroyen futures based on the London Interbank Offered Rate (LIBOR).

2 Introduction of a Liquidity Provider Scheme and Expansion of the Global Network (Interest Rate Futures)

TFX will introduce a liquidity provider scheme* in fiscal year 2011 in an effort to expand trading volumes and liquidity.

*The liquidity provider scheme is a system in which a low commission table is given to specific customers on the condition that the customers maintain minimum trading volumes. The system is designed to encourage investors who trade large amounts on a frequent basis to participate and carry out active transactions on markets managed by TFX.

Moreover, TFX is at present examining the possibility of interconnection with the network of NYSE Euronext. With these initiatives, TFX will aim to further improve its global network.

Challenge 2011

3 Listing of Asian Currencies (Click 365)

TFX expects to list currency pairs (Chinese yuan, Korean Won and Indian rupee) of the Asia region in the Click 365 market in August 2011. With this listing, the number of currency pairs available in the Click 365 market will be 26. TFX will then be able to provide an even wider range of investment opportunities to the market participants.

4 Expansion of Liquidity by Increasing the Number of Market Makers and the Listing of New Stock Indexes (Click kabu 365)

TFX will strive to increase the number of market makers to bolster market liquidity. It will also strive to list highly convenient new products, and will take the initiative in encouraging the entry of new broker members.

5 Establishing a Structure With a View to Listing TFX's shares

TFX will strengthen its management structure with a view to listing its shares by strengthening its business execution structure, consolidating its internal control reporting structure, and other measures.

New Medium-Term Business Plan (from Fiscal 2011 to Fiscal 2013)

Overview

Global exchanges are expected to play a leading role in helping to revitalize the financial markets and spur economic growth in an environment in which financial regulations have tightened in response to the credit crisis that followed the collapse of Lehman Brothers.

The outlook for the Japanese economy is expected to remain uncertain, given factors such as the devastating damage caused by the recent earthquake and tsunami just as the economy looked set to recover, the burden of the recovery efforts from this disaster, the uncertainty surrounding financial and fiscal policies in dealing with the disaster, and the impact on interest rates and foreign exchange from medium- to long-term policies designed to improve the soundness of public finances. In this environment, Tokyo Financial Exchange believes that it has a mission, as a comprehensive exchange for financial derivatives, to provide attractive and reliable products to investors, and to help to invigorate Japan's financial market.

To achieve these goals, TFX established a Three-Year Medium-Term Business Plan that started in fiscal year 2011.

Future Vision

As a comprehensive exchange for financial derivatives, TFX will respond to the needs of investors both in Japan and overseas, and list sound and attractive investment products, contributing to the revitalization of Japan's financial market.

Management Goals

1. TFX will seek to improve investor convenience and increase trading volumes of existing listed products in each sector of interest rates, foreign exchange, and stocks, and develop new products that meet the needs of investors.
2. In fiscal 2013, the final year of the Medium-Term Business Plan, TFX will aim to achieve total trading volumes of 300 million.
3. TFX will bolster its business foundation and its earnings, and, by taking into account the situation of the stock market and other factors, will aim to list its shares on a stock exchange in fiscal 2013 or later.

Basic Strategies

1. Provide sound and convenient products.
2. Bolster trading volumes and earnings.
3. Establish strong and advanced exchange trading systems.
4. Maintain a fair and reliable market, and manage a transparent and efficient market.

Business Strategies

(1) Provide sound and convenient products.

Interest Rate Futures transactions

- List LIBOR Futures (2011)
- Develop new interest rate products (2013).

Click 365

- List Asian currencies (2011)
- List currencies of emerging economies (2012 and beyond)

Click kabu 365

- Enhance liquidity by increasing the number of market makers (2011).
- List new stock indexes (2011 and beyond)

(2) Bolster trading volumes and earnings.

- (i) Introduce a liquidity provider scheme to the Three-Month Euroyen Futures market (2011).
- (ii) Improve the global network of Interest Rate Futures transactions (2011).
- (iii) Increase the number of broker members of Click 365 and Click kabu 365.
- (iv) Take steps to invigorate Euroyen Futures (far dated contract months) transactions and other transactions (2012).
- (v) Introduce an overseas broking system to Click 365 (2012).
- (vi) Improve the overseas marketing and overseas customer support systems.

(3) Establish strong and advanced exchange trading systems.

- (i) Develop an ISV test environment in the Click 365 and Click kabu 365 trading systems (2011).
- (ii) Update the interest rate trading systems (2013).
Lower the total cost of ownership (TCO), etc.
- (iii) Update the Click 365 and Click kabu 365 trading systems (2013).
Improve processing capabilities, etc.

(4) Maintain a fair and reliable market, and manage a transparent and efficient market.

- (i) Further strengthen and improve monitoring.
- (ii) Respond appropriately to global standards as a clearing organization (2012).
- (iii) Improve self-regulatory functions.
Appropriately deal with diversifying transactions.

Financial Statements

Balance Sheet

(in millions yen)

Account Titles	FY2010 (As of March 31, 2011)	FY2009 (As of March 31, 2010)
(ASSETS)		
Current Assets	2,997	4,640
Cash and bank deposits	160	1,399
Accounts receivable-trade	1,329	761
Securities	1,197	2,211
Prepaid expenses	97	96
Deferred tax assets	162	138
Others	54	35
Allowance for doubtful receivables	▲3	▲2
Non-current Assets	235,810	176,033
Tangible Fixed Assets	2,245	2,325
Buildings	476	496
Furniture and equipment	1,769	1,637
Construction in progress	—	192
Intangible Fixed Assets	3,806	4,162
Software	3,792	3,726
Software development in progress	5	426
Others	8	9
Investments and Other Assets	16,531	11,905
Investment in securities	14,917	9,983
Long-term bank deposits	500	500
Guarantee money deposits	763	848
Long-term loan receivable	317	475
Deferred tax assets	14	52
Others	19	45
Allowance for doubtful receivables	▲0	▲0
Assets Held for Guarantee from Members	213,226	157,640
Bank deposits held for exchange margins received	208,580	152,396
Bank deposits held for market entry deposits received	483	395
Bank deposits held for clearing deposits received	4,162	4,849
Total Assets	238,807	180,674

(in millions yen)

Account Titles	FY2010 (As of March 31, 2011)	FY2009 (As of March 31, 2010)
(LIABILITIES)		
Current Liabilities	1,915	1,151
Accounts payable-trade	228	190
Accounts payable-other	155	91
Income taxes payable	1,262	658
Provision for officers' bonuses	36	18
Provision for employees' bonuses	108	92
Others	124	100
Non-current Liabilities	213,647	158,089
Provision for retirement benefit for directors and corporate auditors	174	240
Provision for retirement benefit for employee	246	208
Deposits received from members	213,226	157,640
Exchange margins received	208,580	152,396
Market entry deposits received	483	395
Clearing deposits received	4,162	4,849
Total Liabilities	215,562	159,240
(NET ASSETS)		
Shareholders' Equity	23,244	21,433
Common stock	5,844	5,844
Capital surplus	6,045	6,045
Capital reserve	6,045	6,045
Retained earnings	11,354	9,543
Other retained earnings	11,354	9,543
Default compensation reserve for financial futures contract	1,994	1,994
Default compensation reserve for exchange forex margin contract	936	936
Retained earnings brought forward	8,424	6,613
Total Net Assets	23,244	21,433
Total Liabilities and Net Assets	238,807	180,674

Profit and Loss Statement

(in millions yen)

Account Titles	FY2010 [From April 1, 2010 to March 31, 2011]	FY2009 [From April 1, 2009 to March 31, 2010]
Operating Revenues	10,966	8,532
Fixed amount exchange fees	48	44
Per-contract exchange fees	10,233	7,925
Income relating to system equipment	359	278
Member registration fees and others	69	23
Income from information services	255	261
Operating Expenses	7,039	6,006
Personnel expenses	1,512	1,368
Marketing expenses	235	35
Facility-related expenses	4,995	4,233
Administrative expenses	296	369
Operating Profit	3,927	2,525
Non-operating Revenues	306	247
Non-operating Expenses	1	2
Ordinary Profit	4,232	2,770
Extraordinary Income	—	0
Extraordinary Losses	211	13
Head office relocation expenses	—	9
Loss on retirement of tangible fixed assets	—	4
Effects of the application of the accounting standards for asset retirement obligations	38	—
Impairment loss	148	—
Loss on valuation of golf club memberships	24	—
Income Before Income Taxes	4,020	2,756
Income taxes-current	1,762	995
Income taxes-deferred	14	32
Net Income	2,242	1,728

Points related to the balance sheet

- Bank deposits held for exchange margins received rose 56,184 million yen, to 208,580 million yen, mainly reflecting the increase in the open interest of Click 365 and the application of leverage restrictions.
- As a result of the completion of trading and clearing systems of Click kabu 365, which had been developed ahead of the listing of Click kabu 365, construction in progress related to the relevant systems and software development in progress as at the end of the previous fiscal year were transferred to furniture and equipment and to software respectively. Consequently, software development in progress as at the end of the fiscal year under review was 5 million yen.
- With investments of excess funds, investment in securities rose 4,934 million yen, to 14,917 million yen.
- Given the increase of income, income taxes payable rose 604 million yen, to 1,262 million yen.

Points related to the profit and loss statement

- Per-contract exchange fees rose 29.1% compared to the previous fiscal year, to 10,233 million yen, reflecting the significant rise in trading volumes of Click 365. As a result, operating revenues amounted to 10,966 million yen.
- The trading and clearing systems of Click kabu 365 started operating, following the listing of Click kabu 365 in November 2010. As a result, facility-related expenses rose 762 million yen, to 4,995 million yen, and operating expenses stood at 7,039 million yen.
- As a result, operating profit rose a significant 55.5%, ordinary profit, climbed 52.8%, and net income rose 45.9%, all on a year-on-year basis.

Statement of Changes in Shareholders' Equity (Summary) FY2010 [from April 1, 2010 to March 31, 2011] (in millions yen)

Account Titles	Shareholders' Equity			Total shareholders' equity	Total Net Assets
	Common stock	Capital surplus	Retained earnings		
Balance of Mar 31, 2010	5,844	6,045	9,543	21,433	21,433
Changes during the term					
Dividend paid	—	—	▲431	▲431	▲431
Net Income	—	—	2,242	2,242	2,242
Total amount changed during the term	—	—	1,810	1,810	1,810
Balance as of Mar 31, 2011	5,844	6,045	11,354	23,244	23,244

Market Data

Three-Month Euroyen Futures

	FY2006	FY2007	FY2008	FY2009	FY2010
Annual Trading Volume	36,284,057	35,315,872	18,584,732	12,161,642	11,466,264
Average Daily Trading Volume	147,496	144,146	75,856	49,843	46,801

*TFX invoked intraday additional margin once in fiscal 2010 (on March 14, 2011).

Options on Three-Month Euroyen Futures

	FY2006	FY2007	FY2008	FY2009	FY2010
Annual Trading Volume	4,234,894	3,454,194	678,197	19,000	0

Click 365

	FY2006	FY2007	FY2008	FY2009	FY2010
Annual Trading Volume	15,945,190	35,282,228	48,334,039	80,368,758	123,432,149
Average Daily Trading Volume	61,564	135,701	191,139	309,111	472,920

*In March 2011, Click 365 recorded a record monthly trading volume of 15,870,475.

*In May 2010, Click 365 recorded a record average daily trading volume of 714,452 since its listing.

*May 6, 2010, the daily trading volume reached record 1,630,780.

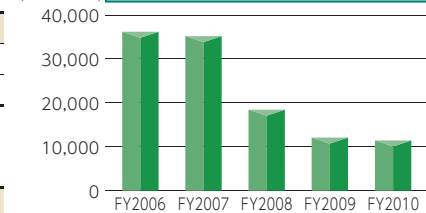
Click kabu 365

	FY2006	FY2007	FY2008	FY2009	FY2010
Annual Trading Volumes	—	—	—	—	447,814
Average Daily Trading Volume	—	—	—	—	5,128

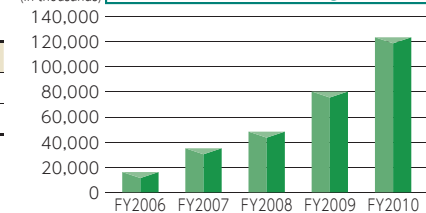
All Listed Products

	FY2006	FY2007	FY2008	FY2009	FY2010
Annual Trading Volume	56,472,251	74,057,650	67,596,968	92,549,400	135,346,227

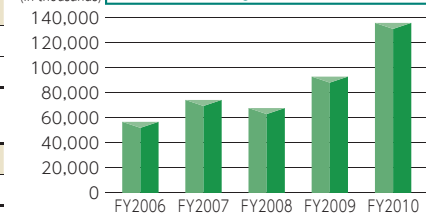
(in thousands) Three-month Euroyen Futures Annual Trading Volumes



(in thousands) Click 365 Annual Trading Volumes



(in thousands) Total Annual Trading Volume of Listed Products



Trading in Fiscal 2010

(1) Three-Month Euroyen Futures

As the Bank of Japan maintained and even loosened its notably accommodative monetary policy, short-term interest rates continued to decline from the start of the fiscal year under review. Interest rates fell further in the wake of the decision made by the Bank of Japan in October 2010 to adopt a comprehensive monetary easing policy. In this environment, Three-Month Euroyen Futures transactions remained sluggish, with annual trading volumes amounting to 11,466,264 and, falling 5.7% year on year.

(2) Click 365

In May 2010, trading volumes rose significantly, with record daily trading volumes, reflecting the severe fluctuations of the foreign exchange market stemming from the reoccurrence of the fiscal crisis in Southern Europe.

Trading volumes fell temporarily, given leverage restrictions in August 2010. However, they had almost returned to their previous level within two months. As a result, given the increase in the number of trading members and accounts, annual trading volumes jumped 53.6% from the previous fiscal year, to 123,432,149. In March 2011, Click 365 posted a record monthly trading volume.

(3) Click kabu 365

Click kabu 365 was listed and started trading on November 22, 2010.

Annual trading volumes reached 447,814.

The number of trading accounts and the outstanding balance on margin rose steadily from the time of listing to March 2011.

Corporate Profile

Company Name Tokyo Financial Exchange Inc.
Founded April 1989 (In April 2004, TFX changed from a membership organization to a stock company.)

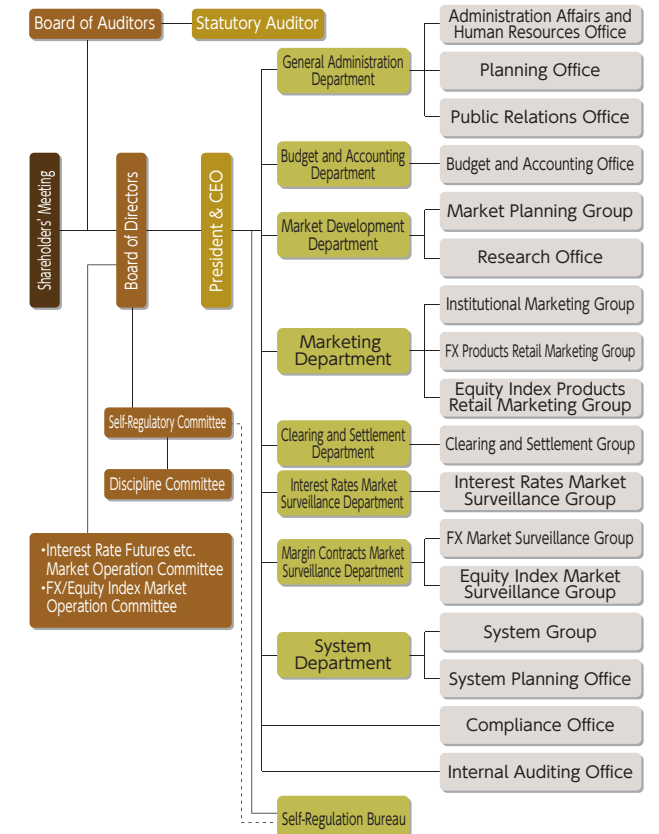
Address Marunouchi Park Building 15th Floor,
 2-6-1 Marunouchi, Chiyoda-ku, Tokyo,
 100-6915

Capital 5,844,650,000 yen
No. of Employees 119 (as of March 31, 2011)
Fiscal Term March 31

Management
 President & CEO Shozo Ohta
 Senior Managing Director & COO Makoto Yamamuro
 Managing Director Wataru Ito
 Managing Director & CIO Takuo Hirota
 Member of the Board Takashi Imai
 Member of the Board Keimei Kaizuka
 Member of the Board Junko Hirakawa
 Member of the Board Masatoshi Yano
 Standing Statutory Auditor Eiji Nakai
 Statutory Auditor Nagao Hashimoto
 Statutory Auditor Osamu Sekine
 Statutory Auditor Toshihiko Fujie

No. of TFX Members (as of March 31, 2011)
 Interest Rate Futures Trading and Clearing Members 47
 Including 5 FX Margin Trading and Clearing Members
 Including 2 Equity Index Margin Contracts Trading and Clearing Members
 Interest Rate Futures Trading Members 3
 FX Margin Trading and Clearing Members 29
 Including 7 Equity Index Margin Contracts Trading and Clearing Members
 Including 6 Market Makers
 Equity Index Margin Contracts Trading and Clearing Members 9
 Including 2 Market Makers

Organizational Chart



Share Information (as of March 31, 2011)

Total No. of Shares Authorized 3,400,000
 No. of Shares Issued and Outstanding 862,750
 No. of Shareholders 69

U R L <http://www.tfx.co.jp/en>