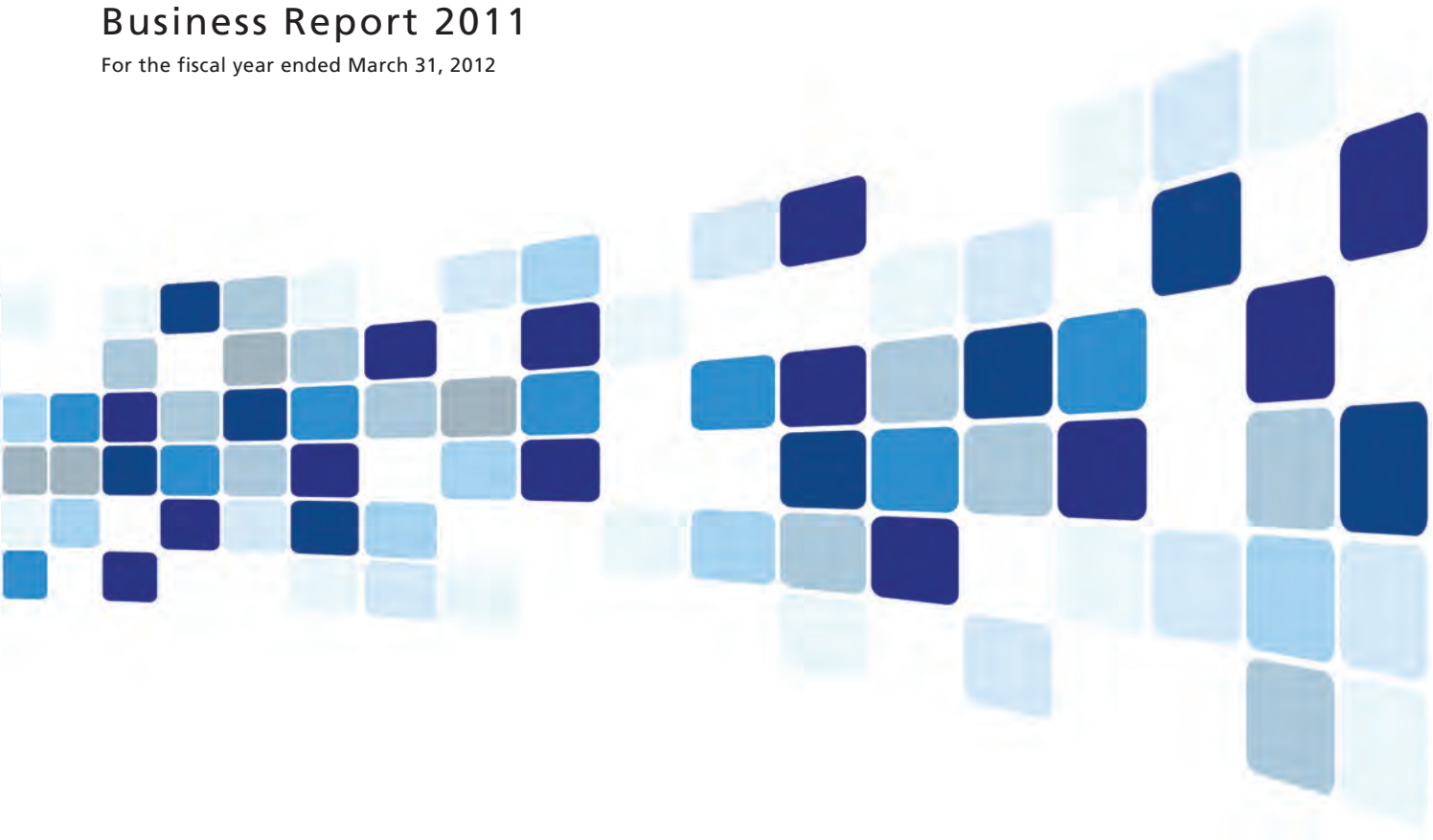


ANNUAL REPORT

Business Report 2011

For the fiscal year ended March 31, 2012





To Our Shareholders

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

In fiscal 2011, following a continued recovery from the global financial crisis since the collapse of Lehman Brothers in 2008, the global economy began to slow. The effects of the stimulus packages the governments of developed economies had adopted started to fade, while the reoccurrence of sovereign debt problems in Europe led to turbulence in the financial and capital markets and other issues. Moreover, the pace of economic growth in emerging economies, which had been the engine for the economic recovery began to slow, primarily reflecting a slowdown in domestic demand against a backdrop of rising prices and the continued tight monetary policy, as well as declines in exports, due to the economic downturn in developed economies.

The Japanese economy started the year with a challenging environment in the aftermath of the Great East Japan Earthquake. The economy, however, soon began to recover, thanks to the rapid reconstruction of supply chains. The economic recovery then continued only at a gradual pace after the summer, mainly reflecting the sharp appreciation of the yen and sluggish global economies affected by the European debt crisis.

In these economic conditions, Tokyo Financial Exchange faced a challenging operating environment.

In the short-term money markets, the environment of extremely low interest rates continued as the Bank of Japan strengthened the accommodative monetary policy it has adopted since the Lehman shock.

Given this interest rate environment, annual trading volumes of Three-month Euroyen futures continued to fall, declining 49.3% year on year, to 5 million lots.

In foreign exchange markets, the yen generally remained strong against other currencies, the result of currency operations to avoid risks from sovereign debt problems in Europe. However, after the Bank of Japan introduced “The Price Stability Goal in the Medium to Long Term” in February 2012, the yen weakened toward the end of the fiscal year.

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Trading volumes of Click 365, the Exchange FX Margin Contracts remained buoyant until the third quarter of the fiscal year under review, despite the stricter control of leverage restrictions from August 2011. However, mainly because of the application of the separate self-assessment taxation, which has been applied to click365, to over-the-counter transactions from January 2012, and a narrowing in spreads between offer prices and bid prices by operators of over-the-counter transactions (indicating exchange rates with three decimal places), trading volumes fell significantly in the fourth quarter of the fiscal year under review. As a result, annual trading volumes declined 1.9% from the previous fiscal year, to 121 million lots.

The stock market remained sluggish, chiefly reflecting the effects of the earthquake and the appreciation of the yen. Following the additional monetary easing measures announced by the Bank of Japan in February 2012, however, the Nikkei Stock Average temporarily moved above 10,000 points at fiscal year end, exceeding the level recorded at the beginning of the fiscal year under review.

Annual trading volumes of Kabu 365, Exchange Equity Index Margin Contracts, reached 1 million lots, rising 132.8% year on year, mainly due to the strong performance of the stock market from February 2012, despite sluggish trading activities up to the beginning of January 2012.

As a result, the trading volume of all products during fiscal 2011 was 128 million lots, down 5.4% from the previous fiscal year. Operating revenues fell 15.8% year on year, to 9,238 million yen, and ordinary profit declined 50.7%, to 2,086 million yen.

Net income declined a significant 64.0%, to 807 million yen, reflecting the recording of extraordinary losses associated with the Interest Rate Futures Contracts system, in accordance with accounting standards associated with impairment of fixed assets.

In the current fiscal year, we will continue our efforts to maintain market fairness and reliability and will make our utmost effort to effectively operate within the market in a transparent manner. We will also focus on lowering the break-even point by



reviewing the cost structure to the fullest extent, and will seek to ensure the trading volumes with a range of measures to improve convenience in trading Click 365. With these initiatives, we are committed to maintaining profits even in a challenging management environment.

In the medium term, meanwhile, we will review the fee structure of Interest Rate Futures Contracts, and take the initiative in developing an efficient, low-cost system in preparation for the system changes slated for fiscal 2013. Through these initiatives, we will strive to stabilize our earnings structure.

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

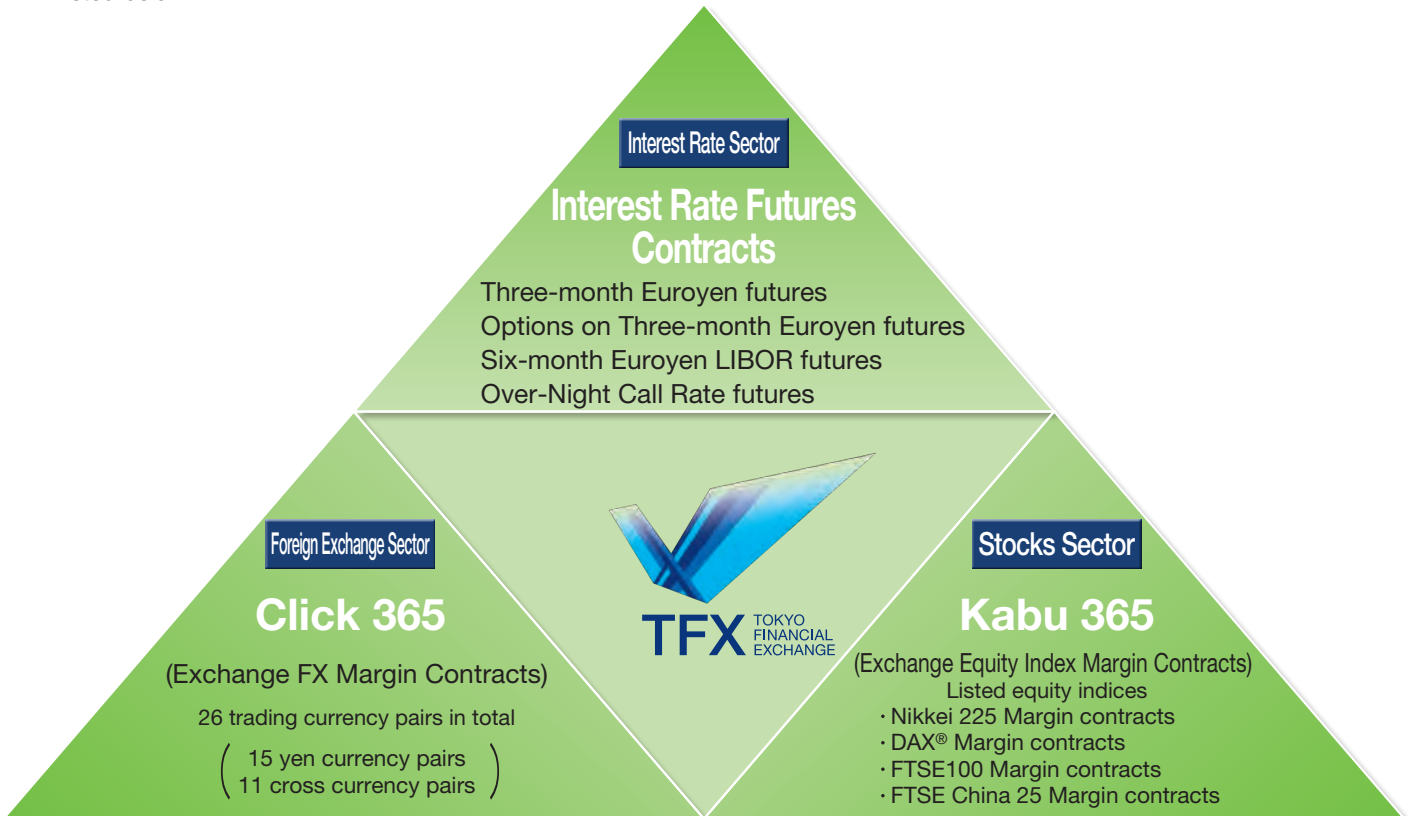
June 2012
President and CEO **Shozo Ohta**

About Tokyo Financial Exchange

■ Operations

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 provide a superior degree of fairness, reliability, and convenience in accordance with the Financial Instruments and Exchange Act.

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



Summary of Operating Results

■ Financial Accounts - Highlights

	FY2008	FY2009	FY2010	FY2011	Change from FY2010
Operating Revenues (million yen)	8,458	8,532	10,966	9,238	▲15.8%
Operating Profit (million yen)	2,660	2,525	3,927	1,761	▲55.1%
Ordinary Profit (million yen)	2,817	2,770	4,232	2,086	▲50.7%
Net Income (million yen)	1,444	1,728	2,242	807	▲64.0%
Net Income per Share (yen)	1,674.18	2,004.01	2,599.02	935.52	▲64.0%
Total Assets (million yen)	163,134	180,674	238,807	240,840	+0.9%
Net Assets (million yen)	20,136	21,433	23,244	23,447	+0.9%
Net Assets per Share (yen)	23,339.52	24,843.53	26,942.55	27,178.08	+0.9%

Outline of Financial Results

Operating revenues declined 15.8% from the previous fiscal year, to 9,238 million yen, reflecting a significant decline(49.3% year on year) in volumes for Three-month Euroyen futures.

Operating expenses increased 6.2% from the previous fiscal year, to 7,476 million yen, mainly reflecting an increase in expenses related to the amortized payment for the system development that was carried out in the previous fiscal year.

As a result, operating profit fell 55.1% year on year, to 1,761 million yen.

Net income decreased 64.0% from the previous fiscal year, to 807 million yen, given the recording of impairment losses related to the Interest Rate Futures Contracts system as extraordinary losses.

Net income per share declined 64.0% year on year, to 935.52 yen, and net assets per share increased 0.9%, to 27,178.08 yen.

Taking into account a fall in net income for the fiscal year under review, we decided to lower dividend payments per share by 200 yen, or 28.6%, compared with the dividends for the previous fiscal year, to 500 yen, with a dividend payout ratio of 53.4%.

■ Market Highlights

Annual Trading Volume (Change from previous fiscal years)

■ Three-month Euroyen futures (in thousands)			
FY2008	FY2009	FY2010	FY2011
18,584 (▲47.4%)	12,161 (▲34.6%)	11,466 (▲5.7%)	5,816 (▲49.3%)

■ Click 365 (in thousands)			
FY2008	FY2009	FY2010	FY2011
48,334 (+37.0%)	80,368 (+66.3%)	123,432 (+53.6%)	121,116 (▲1.9%)

■ Kabu 365 (in thousands)			
FY2008	FY2009	FY2010	FY2011
—	—	447	1,042
—	—	(—)	(+132.8%)

■ Total Trading Volume of Listed Products (in thousands)			
FY2008	FY2009	FY2010	FY2011
67,596 (▲8.7%)	92,549 (+36.9%)	135,346 (+46.2%)	128,019 (▲5.4%)

Market Summary

Trading volumes of Three-month Euroyen futures declined 49.3% from the previous fiscal year, to 5 million lots, a decline for the fifth consecutive term.

Trading volumes of Click 365 fell 1.9% year on year, to 121 million lots, reflecting a significant fall in trading volumes in the fourth quarter of the fiscal year under review.

As a result, the total trading volumes of listed products declined year on year, but reached 128 million lots, exceeding 100 million for the second consecutive term.

TFX's Main Activities

<p>August</p> <p>Listing of three Asian currency pairs</p> <p>▶ Page 7 (Click 365)</p>	<p>August</p> <p>Application of FX margin reference amount for non-individual customers</p> <p>▶ Page 7 (Click 365)</p>	<p>August and September</p> <p>Addition of new trading members of Kabu 365</p> <p>▶ Page 8 (Kabu 365)</p>	<p>September</p> <p>Commencement of Japanese national holiday operations of Kabu 365</p> <p>▶ Page 8 (Kabu 365)</p>
<p>July</p> <p>Holding of the Click Fair</p> <p>▶ Page 10</p> <p>The fair attracted 5,000 investors. (Click 365) (Kabu 365)</p>	<p>July</p> <p>Commencement of weekly reports</p> <p>The reports offers market information related to Click 365 and Kabu 365, and reference information about the economy of overseas countries, the social situation and other matters. (Click 365) (Kabu 365)</p>	<p>August</p> <p>Introduction of image characters, Kaburiel and Haitodori, to Kabu 365</p> <p>▶ Page 10 (Kabu 365)</p>	

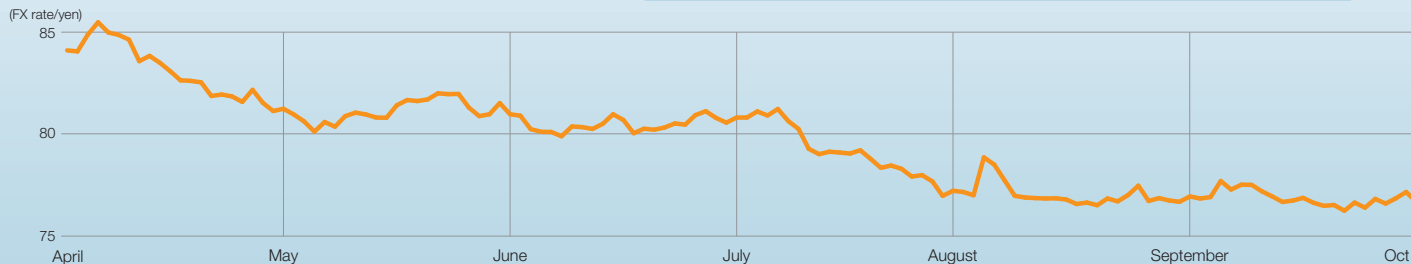
2011 April May June July August September Oct

Market Events

August 1
The upper limit of the FX leverage was lowered from 50 times to 25 times. (Application of the main rules of the leverage restrictions that had been introduced in 2010)

August 14
The Federal Reserve Board announced its plan to keep the policy of exceptionally low interest rates in place until 2013.

Sovereign debt problems in Europe that had started in Greece spread to Italy and other southern European countries.



December

Provision of smartphone application

▶ Page 9

(Click 365) (Kabu 365)

January

Listing of Six-month Euroyen LIBOR futures

▶ Page 8

(Interest Rate Futures Contracts)

October

Commencement of the provision of the Kabu 365 simulator

Investors are now able to experience operations of Kabu 365 from the start of trading to settling transactions virtually, using virtual investment funds on the website.

(Kabu 365)

November

First anniversary of Kabu 365 since its listing

▶ Page 10

Holding the Kabu 365 investment fair

(Kabu 365)

December and February

Holding of U.S. current employment statistics carnival

▶ Page 10

(Click 365) (Kabu 365)

October November December 2012 January February March

October 31

- The US dollar fell to a new low against the yen
- The Japanese government and the Bank of Japan carried out a large-scale foreign exchange intervention.

January 1

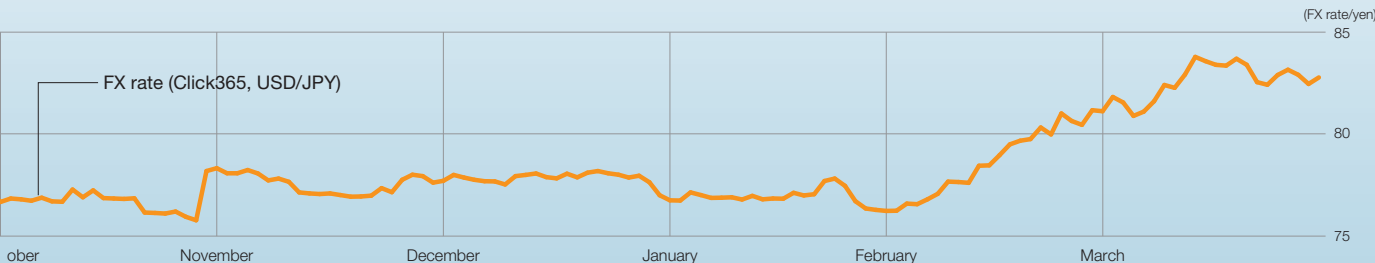
Application of the separate self-assessment taxation to over-the-counter transactions
(The tax rate for over-the-counter FX and CFD became 20% across the board, the same rate as Click 365.)

January 25

The Federal Reserve Board announced its plan to keep the policy of exceptionally low interest rates in place until the end of 2014.

February 14

The Bank of Japan decided to introduce "The Price Stability Goal in the Medium to Long Term" among other monetary easing measures.



Topics in Fiscal Year 2011

Main activities that TFX conducted are as follows.

- In Click365, TFX has listed three Asian currency pairs and introduced FX margin reference amount for non-individual customers.
- In Kabu 365, TFX has commenced Japanese national holiday operations.
- In Interest Rate Futures Contracts, TFX has listed Six-month Euroyen LIBOR futures.

TFX also provided a smartphone application for click365 and Kabu365, and engaged in extensive promotional activities (introducing image characters, holding seminars and events, and participating in an expo, among other initiatives).

1 Listing of three Asian currency pairs

(Click 365)




TFX listed three additional Asian currency pairs in August:

- Chinese Yuan - Japanese Yen
- Korean Won - Japanese Yen
- Indian Rupee - Japanese Yen

Click 365 is Japan's first FX margin contract with the Indian rupee.

Click 365 now offers 26 listed currency pairs, providing wider investment opportunities to investors.



Currency Pair	Currency Units	Exercise price increment
 CNY/JPY (Chinese Yuan-Japanese Yen)	100,000 Currency Units	0.001
 KRW/JPY (Korean Won-Japanese Yen)	10,000,000 Currency Units	0.001
 INR/JPY (Indian Rupee-Japanese Yen)	100,000 Currency Units	0.001

2 Application of FX margin reference amount for non-individual customers

(Click 365)

As a result of the lowering of the upper limit of the FX leverage in August 2011, the maximum leverage available for a personal account has changed to 25 times. However, in Click365, margin reference amount for non-individual customers, which is lower than that for individual ones, has been applied since August 2011. Therefore, non-individual customers exempted from the leverage restrictions come to trade with 150 times of leverage at the maximum.

3

Commencement of Japanese national holiday operations (Kabu 365)

Amid the globalization of economic and financial activities, Japanese investors are also engaged in investment activities, paying attention to global trends.

TFX commenced holiday operations of Nikkei 225 Margin contracts in September 2011, ensuring that investors can carry out transactions in response to market trends in Europe and the United States.

With this initiative, a measure to avoid the risks of price fluctuations during holidays in Japan is now available.

4

Increase of trading members (Kabu 365)

Kabu.com Securities and KOYO SECURITIES became Equity Index Margin Trading members in August 2011 and September 2011, respectively. Therefore, the number of Trading Members of Kabu 365 is nine at present. (As of June 20, 2012)

5

Listing of Six-month Euroyen LIBOR futures

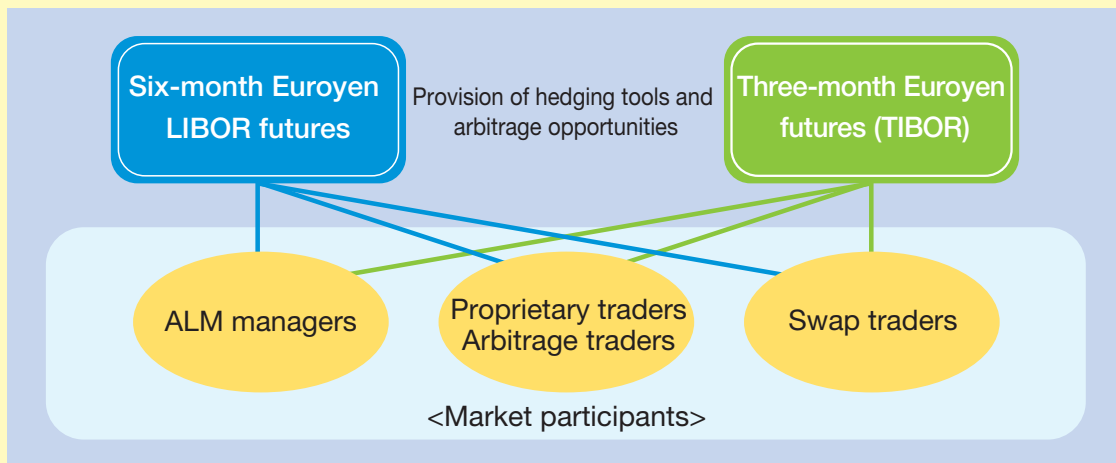
(Interest Rate Futures Contracts)

TFX listed Six-month Euroyen LIBOR futures in January 2012.

Over-the-counter derivatives transactions involve managing the credit risk of counterparties and other complicated administrative management. Freeing investors from these burdens, this listed product offers outstanding convenience.

Since six month Euroyen Libor is mainly used as an index of floating rates of interest of swap contracts in over-the-counter markets, this product meets the needs of investors who wish to precisely hedge yen interest rate swap contracts.

Investors are now also able to enter LIBOR-TIBOR arbitrage transactions using this and other products, such as Three-month Euroyen futures (TIBOR).



6

Provision of smartphone application

(Click 365)

(Kabu 365)

In preparation for the rapid popularization of smartphones, TFX began to provide “Exchange 365,” a smartphone application available on the Android platform and the iPhone platform in December 2011 and January 2012, respectively.

With this service, investors are now able to get timely investment information, and carry out transactions without missing opportunities.

This application provides market information, charts and news as described in the table below, as well as notices from TFX, reports, the list of FX / Equity Index Margin trading members, and other information.

Market information	<p>15 seconds delay in the shortest:</p> <p>Latest trading prices, quoted offer prices, quoted bid prices, volumes of quoted offer prices, volumes of quoted bid prices, trading volume, swap point of the previous trading day (Click 365), previous trading day's interest rate and dividend equivalent amounts (Kabu 365), change from the previous trading day, opening price, highest price and lowest price</p>
Charts	<p>Types of charts:</p> <p>Candle chart and line chart (chart of each product by one minute, three minutes, five minutes, ten minutes, thirty minutes, sixty minutes, day, week and month)</p> <p>Technical charts, etc.:</p> <p>Trading volume, moving average line, Ichimoku Kinko Hyo, bollinger bands, parabolic, traded volume by price range, moving average divergence ratio, MACD, psychological line, RSI, RCI, and stochastic</p>
News	Provided by FISCO Ltd.



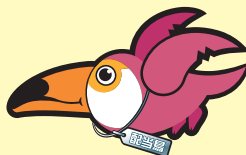
7 Enhancement of promotion activities (Click 365) (Kabu 365) (Interest Rate Futures Contracts)

To encourage investors to become familiar with Kabu 365, we have adopted two new characters, Kaburiel and Haitodori. In addition, to help inexperienced investors develop a basic understanding of Kabu 365, we published “Kabu 365 Comprehensive Guide,” summarizing key points in plain words.



Kaburiel

Kaburiel has a very acute sense of smell when it comes to stocks. Kaburiel likes reading business magazines and has a reputation as a competent investor. Kaburiel's motto is steady investment.



Haitodori

Attracted by the smell of dividends that Kaburiel makes, Haitodori always look for dividends. Haitodori is a good partner for Kaburiel and his cry sounds like “haito haito (dividends).”



Kabu 365 Comprehensive Guide

“Kabu 365 Comprehensive Guide” provides basic knowledge for starting Kabu 365, the appeal of products, the basic way to place orders, and other matters through simple explanations with figures and illustrations.

TFX also held seminars and events in addition to taking part in an expo to bolster the public recognition of its listed products and product knowledge. The events listed below are examples.

- Click Fair (Click 365 and Kabu 365)
 - Tokyo (July)
 - Osaka (July)
- New Asian currencies listing commemorative seminar (Click 365)
 - Sapporo(September), Nagoya(October),
 - Kyoto(October), Hiroshima(November),
 - Fukuoka (December), and Kobe (January)
- U.S. current employment statistics carnival (Click 365)
 - Tokyo (December and February)
- Kabu 365 investment fair (Kabu 365)
 - Tokyo (November)
- FIA EXPO (Interest Rate Futures Contracts)
 - London (June)
 - Chicago (October)
 - Singapore (November)



(Click Fair)



(New Asian currencies listing commemorative seminar)



(Kabu 365 investment fair)



(U.S. current employment statistics carnival)



(FIA EXPO)

■ Basic policies

- ① Lower the break-even point by comprehensively reviewing the expenses structure.
- ② Achieve a stable income structure by reviewing the fee structure for Interest Rate Futures Contracts.
- ③ Develop new trading systems that are less expensive and more efficient in preparation for system changes in fiscal 2013.
- ④ Ensure steady trading volumes by carrying out effective sales activities.
- ⑤ Take measures to improve the internal control structure and train human resources over the medium to long term.

■ Main specific measures

Interest Rate Futures Contracts

- ① Review the fee structure.
- ② Expand the Six-month Euroyen LIBOR futures market.
(Increase of Trading Members)

Click 365

- ① Narrow the spreads of main currency pairs by introducing exchange rates with three decimal points.*
- ② Improve liquidity with the participation of overseas and Japanese customers in the market through intermediate brokers.

Fair and steady market management

- ① Steady operation of the exchange systems
- ② Train human resources in the medium to long term.

* Exchange rates of USD/JPY, EUR/JPY and AUD/JPY are expected to be quoted in exercise price increments of 0.005 yen from October 1.

Financial Statements (Summary)

▶ Balance Sheet

(million yen)

Account Titles	FY2010 As of March 31, 2011	FY2011 As of March 31, 2012
(Assets)		
Current Assets	2,997	1,888
Cash and bank deposits	160	882
Accounts receivable-trade	1,329	614
Securities	1,197	90
Others	309	301
Non-current Assets	235,810	238,952
Tangible Fixed Assets	2,245	1,643
Buildings	476	456
Furniture and equipment	1,769	1,187
Intangible Fixed Assets	3,806	2,144
Software	3,792	2,118
Others	13	25
Investment and Other Assets	16,531	18,586
Investment in securities	14,917	17,137
Others	1,614	1,449
Assets Held for Guarantee from Members	213,226	216,577
Total Assets	238,807	240,840

Account Titles	FY2010 As of March 31, 2011	FY2011 As of March 31, 2012
(Liabilities)		
Current Liabilities	1,915	396
Accounts payable-trade	228	212
Others	1,687	184
Non-current Liabilities	213,647	216,995
Deposits received from members	213,226	216,577
Others	421	418
Total Liabilities	215,562	217,392
(Net Assets)		
Shareholders' Equity	23,244	23,447
Common stock	5,844	5,844
Capital surplus	6,045	6,045
Retained earnings	11,354	11,557
Default compensation reserve	2,930	3,594
Retained earnings brought forward	8,424	7,963
Total Net Assets	23,244	23,447
Total Liabilities and Net Assets	238,807	240,840

▶ Profit and Loss Statement

(million yen)

Account Titles	FY2010 From April 1, 2010 to March 31, 2011	FY2011 From April 1, 2011 to March 31, 2012
Operating Revenues	10,966	9,238
Fixed amount exchange fees	48	52
Per-contract exchange fees	10,233	8,724
Income relating to system equipment	359	218
Member registration fees and others	69	2
Income from information services	255	240
Operating Expenses	7,039	7,476
Personnel expenses	1,512	1,602
Marketing expenses	235	333
Facility-related expenses	4,995	5,275
Administrative expenses	296	264
Operating Profit	3,927	1,761
Non-operating Revenues	306	327
Non-operating Expenses	1	2
Ordinary Profit	4,232	2,086
Extraordinary Losses	211	669
Income Before Income Taxes	4,020	1,417
Income taxes-current	1,762	687
Income taxes-deferred	14	▲ 77
Net Income	2,242	807

▶ Statement of Changes in Shareholders' Equity FY2011 (From April 1, 2011 to March 31, 2012)

(million yen)

Account Titles	Shareholders' Equity				Total Net Assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	
Balance as of March 31, 2011	5,844	6,045	11,354	23,244	23,244
Dividend paid	—	—	▲ 603	▲ 603	▲ 603
Net income	—	—	807	807	807
Total amount changed during the term	—	—	203	203	203
Balance as of March 31, 2012	5,844	6,045	11,557	23,447	23,447

* The above statements are based on accounting standards of Japan.

Market Data

▶ Three-month Euroyen futures

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual Trading Volume	35,315,872	18,584,732	12,161,642	11,466,264	5,816,233
Average Daily Trading Volume	144,146	75,856	49,843	46,801	23,643

▶ Options on Three-month Euroyen futures

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual Trading Volume	3,454,194	678,197	19,000	0	35,547
Average Daily Trading Volume	14,099	2,768	78	0	145

▶ Click 365

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual Trading Volume	35,282,228	48,334,039	80,368,758	123,432,149	121,116,072
Average Daily Trading Volume	135,701	191,139	309,111	472,920	466,391

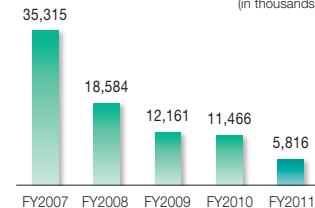
▶ Kabu 365

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual Trading Volume	—	—	—	447,814	1,042,524
Average Daily Trading Volume	—	—	—	5,128	4,088

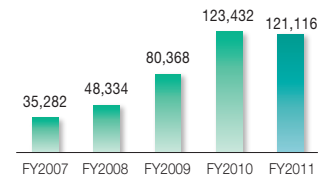
▶ All Listed Products

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual Trading Volume	74,057,650	67,596,968	92,549,400	135,346,227	128,019,351
Average Daily Trading Volume	294,014	269,763	359,031	524,849	494,471

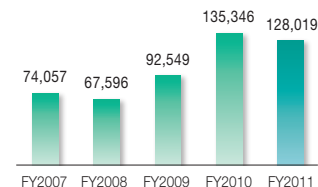
■ Three-Month Euroyen Futures Annual Trading Volume
(in thousands)



■ Click 365 Annual Trading Volume
(in thousands)



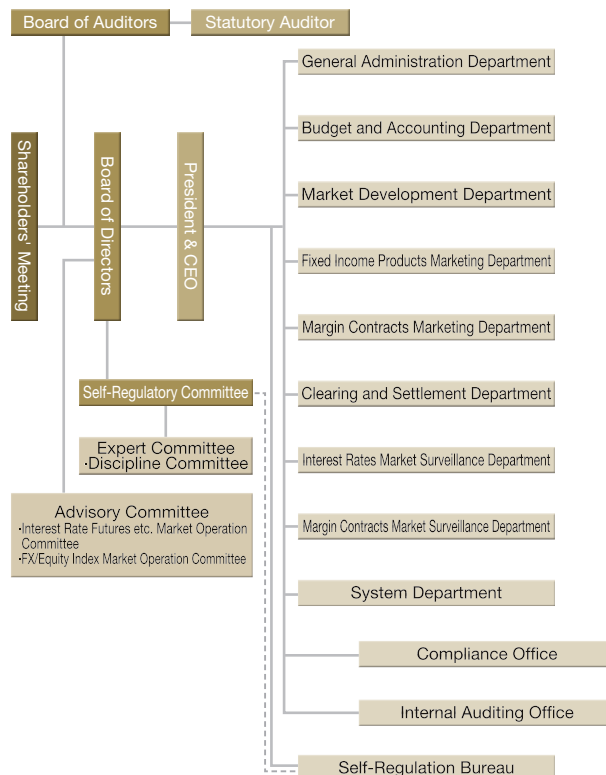
■ Total Annual Trading Volume of Listed Products
(in thousands)



Corporate Profile

Company Name	Tokyo Financial Exchange Inc.	
Founded	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	124 (as of March 31, 2012)	
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	Masahiro Okuno-Fujiwara
	Member of the Board	Junko Hirakawa
	Member of the Board	Masatoshi Yano
	Member of the Board	Eiji Nakai
	Standing Statutory Auditor	Nagao Hashimoto
	Statutory Auditor	Osamu Sekine
	Statutory Auditor	Toshihiko Fujie

Organizational Chart



No. of TFX Members

- ① Interest Rate Futures Trading Members 48
(including 45 Interest Rate Futures Clearing Members)
- ② FX Margin Trading Members
(FX Margin Clearing Members) 28
(including 6 FX Market Makers)
- ③ Equity Index Margin Contracts Trading Members
(Equity Index Margin Contracts Clearing Members) ... 11
(including 2 Equity Index Market Makers)

Share Information (as of March 31, 2012)

Total No. of Shares Authorized:	3,400,000
No. of Shares Issued and Outstanding:	862,750
No. of Shareholders:	72

URL

<http://www.tfx.co.jp/en>

* Information with no specific date is information as of June 20, 2012.

Tokyo Financial Exchange Inc.

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<http://www.tfx.co.jp/en>

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