

ANNUAL REPORT 2018

THE 14TH TOKYO FINANCIAL EXCHANGE INC.

For the Year Ended March 31, 2018



TFX TOKYO
FINANCIAL
EXCHANGE

Tokyo Financial Exchange Inc.

To Our Stakeholders

In FY 2017, the global economy remained solid mainly in developed countries despite the uncertainty from protectionist policies made by the United States and geopolitical risks.

The Japanese economy achieved a gradual recovery on the back of improvement in employment and income environment.

The trading volume of FX Daily Futures contracts (Click 365) decreased on a year-on-year basis because the volatility of USD/JPY remained low and the volume trend was weak through the fiscal year.

The trading volume of Equity Index Daily Futures contracts (Click Kabu 365) largely increased due to a solid stock market, including the fact that the Nikkei stock average rose to 24,000 yen for the first time since November 1991 following a new all-time high of the Dow Jones Index.

The trading volume of the Three-month Euroyen futures largely decreased to an all-time low because the short-term interest rate fluctuated in an extremely narrow range under the negative interest rate policy and yield curve control of the Bank of Japan (BOJ).

As a result of the above, the total trading volume of all products decreased 19.0% year-on-year to 38 million lots in FY 2017 and operating loss was recorded because of the decrease in fee income.

Ordinary income and net income were recorded surpluses due to non-operating revenues.

In FY 2018, we will seek to ensure the trading volume of the margin contracts for Click 365 by conducting promotional activities including acquisition of overseas investors (in Taiwan and Hong Kong).

The trading volume of Click Kabu 365 largely decreased because of a gap in price between quotes from the market makers and the relevant index caused by imbalanced supply and demand resulting from the steady stock market in the second half of 2017. Therefore, we will seek to increase the trading volume by ensuring liquidity from market makers.

We will also aggressively expand Daily Futures business including listing ETF based new products and entry into clearing business of OTC FX.

We will endeavor to ensure as much as Interest Rate Futures contracts volume possible by promoting to overseas investors.

Furthermore, while exploring possibilities of applying FinTech into our IT infrastructure, we will steadily advance the development of the next generation system for Interest Rate Futures and Daily Futures contracts that achieves cost reductions and improves usability.

We sincerely ask you for further understanding and cooperation.

June 2018



President and CEO

Shozo Ohta

We contribute to the sound development of financial markets and 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.

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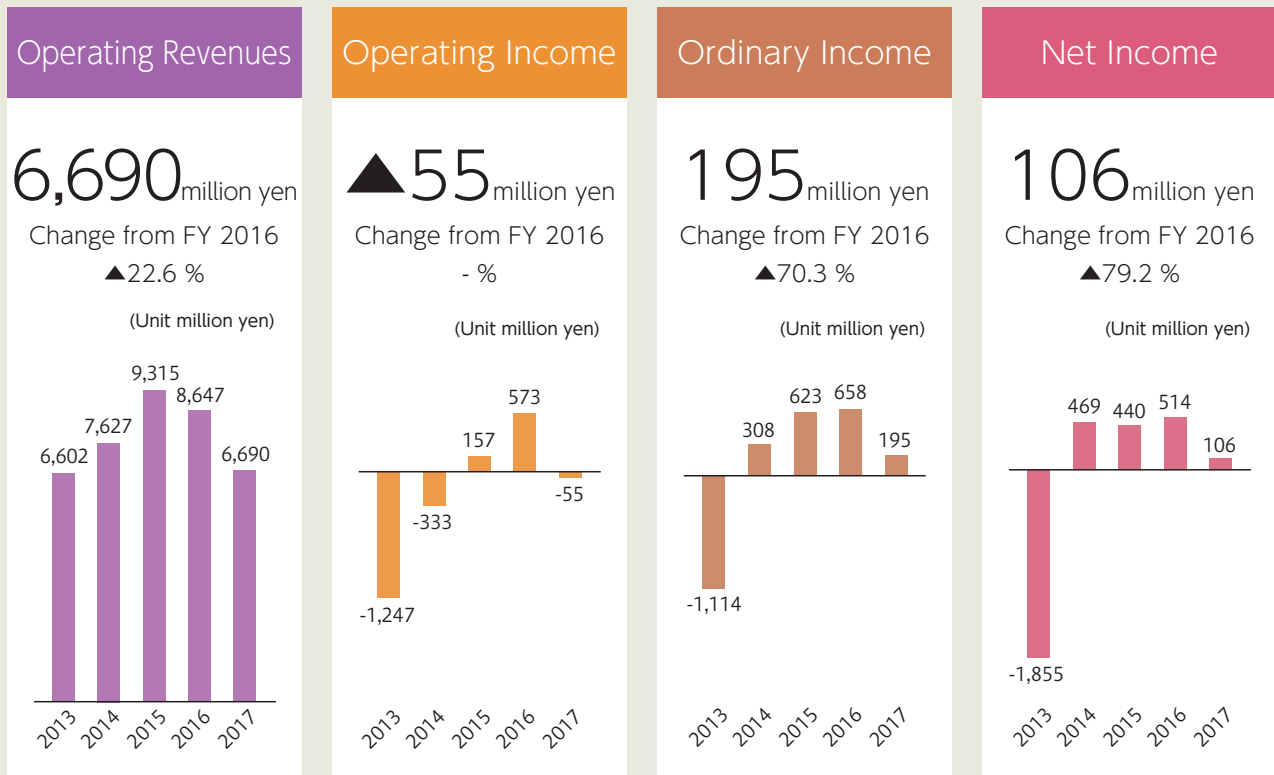
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1 Financial Accounts in FY 2017



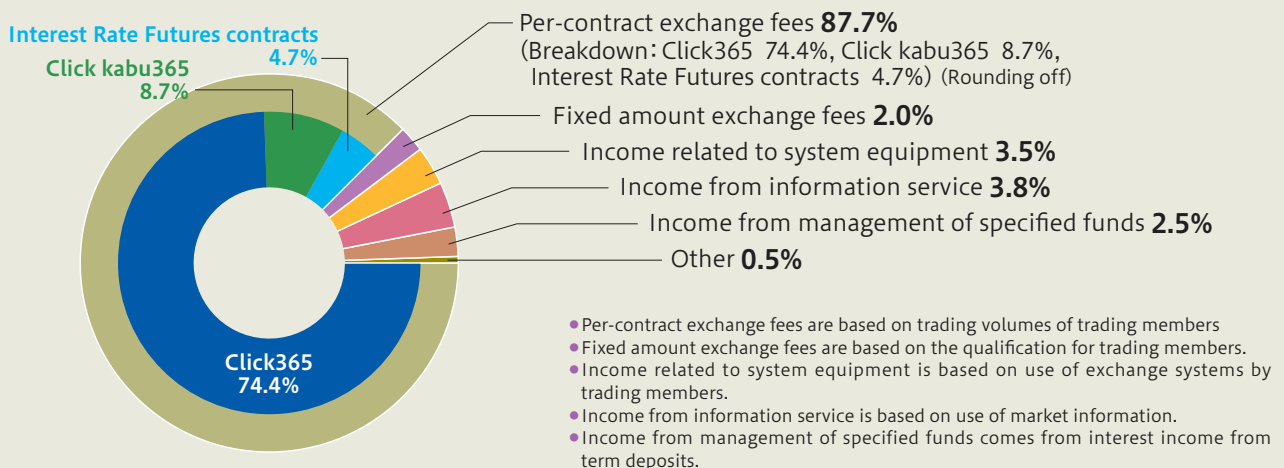
Operating revenues declined 22.6% year-on-year to 6,690 million yen because of a decrease in the per-contract exchange fee resulting from a decrease in the trading volume of Click 365 and Interest Rate Futures contracts.

Operating expenses were cut by 16.4% because

of the reduction in facility-related expenses. However, operating loss still amounted to 55 million yen.



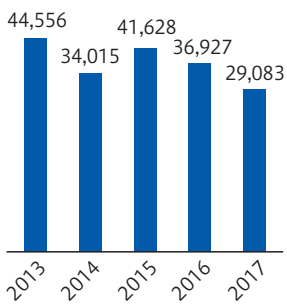
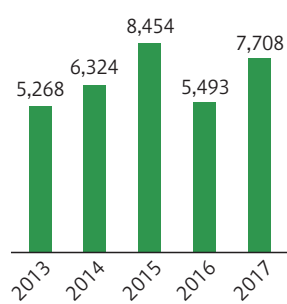
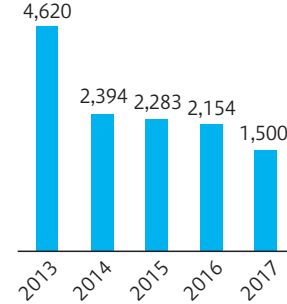
Ordinary income decreased 70.3% year-on-year to 195 million yen and net income decreased 79.2% to 106 million yen.

2 Operating Revenues Composition



3 Trading Volume

We have now listed products that cover all three major sectors of financial derivatives: foreign exchange, stocks and interest rates.

	FX Daily Futures contracts “Click 365” 	Equity Index Daily Futures contracts “Click Kabu 365” 	Interest Rate Futures contracts
Features	<p>Click 365 is a FX Daily Futures contracts, which provides 30 currency pairs.</p> <ul style="list-style-type: none"> (i) Reliable FX product listed on the public exchange market (ii) Provided by the trading members who meet high standard of the necessary qualifications (iii) Margin deposit is protected by the exchange in segregated accounts (iv) Competitive and transparent bid and offer prices are offered by Market Maker scheme. (v) Swap points are fixed to be a single price, regardless of receipt and payment (vi) No rejection of trade or slippage 	<p>Click Kabu 365 is a Daily Futures contracts which covers the world's major equity indices in Japan, the US and the Europe.</p> <ul style="list-style-type: none"> (i) Tradable for almost 24 hours including holidays (ii) Dividends to be paid (same as cash stocks) (iii) Leverage transactions by depositing margin as collateral (iv) No expiration date (rolling spot contract) (v) Trading overseas equity indices without currency risk 	<p>Three-month Euroyen futures is an interest rate future contracts which is derived from the Japanese representative benchmark interest rate Japanese Bankers Association (JBA) Euroyen TIBOR .</p> <ul style="list-style-type: none"> (i) Enable to trade Three-month interest rate futures up to five year (ii) Trading members are leading financial institutions who meet high financial requirements (iii) SPAN®, the industry standard risk assessment method is adopted for margin calculation
FY 2017 (daily average) Change from FY 2016	<p>29,083,000 lots (114,746 lots) ▲26.6%</p>	<p>7,708,051 lots (29,886 lots) +40.3%</p>	<p>1,500,727 lots (6,125 lots) ▲30.3%</p>
Trend of trading volumes (in thousands)			
Trading overview (FY 2017)	<p>The trading volume decreased in FY 2017 because USD/JPY generally remained in a narrow price range of 108-114.</p>	<p>The trading volume largely increased in FY 2017 on the back of a solid stock market, including the price hike of the Nikkei stock average to 24,000 yen for the first time in 26 years.</p>	<p>The short-term Japanese yen interest-rate market further got locked because BOJ maintained the yield curve control, and the trading volume recorded the all-time low in FY 2017.</p>

Trading volumes of all products(Annual total) **38,291,778** lots year-on-year ▲**19.0%** (Daily average: 150,757 lots)

I. Business Activities

01 New Listing MXN/JPY

New currency pair MXN/JPY was listed on Click 365 in October 2017.

MXN is one of the high interest-rate currencies that Japanese investors developed a stronger interest since the birth of the Trump administration. MXN/JPY enjoyed high popularity from the first year of the listing with the trading volume in FY 2017 of 462, thousand lots (eighth place in daily average trading volume among all listed currency pairs).

We anticipate MXN/JPY will further increase its trading volume as a product with the expectation of high swap points like ZAR/JPY and TRY/JPY.

Listed currency pairs	Policy interest rates (At the end of March 2018)	FY 2017 Daily average trading volume The parenthesis () indicates the rank in trading volume
MXN/JPY	7.5%	4,241 lots (Eighth place)
ZAR/JPY	6.5%	17,108 lots (Second place)
TRY/JPY	8.0%	15,156 lots (Third place)

02 New Market Participants

Four companies newly joined Click 365 and Click Kabu 365.

New distributor of Click 365



Service started in March 2018
Intermediary: Kanetsu FX Securities Co., Ltd.

New distributor of Click Kabu 365



Service started in January 2018
Agency: Okasan Online Securities Co., Ltd.



Service started in January 2018
Broker: Sankyo Securities Co., Ltd.



Service started in March 2018
Agency: Okasan Online Securities Co., Ltd.

There were 26 distributors for Click 365 and 19 distributors for Click Kabu 365 at the end of March 2018.

03 Ensuring Liquidity of Click Kabu 365

Imbalanced supply and demand caused by the price movements of a solid stock market in the second half of 2017 increased the gap in prices between quotes from the market makers and the relevant index, and the margin requirement was increased in February 2018 as an emergency measure.

For this fiscal year, we will further seek to ensure the liquidity by adding new market makers while examining all measures in order for Click Kabu 365 market to develop steadily.

04 Obtaining the Sales Permissions from Taiwan and Hong Kong Regulatory Authorities

(1) Taiwan

In October 2017, Click 365 and Click Kabu 365 were permitted as a tradable product of overseas future market for Taiwanese investors from Taiwan regulatory authority.

(2) Hong Kong

In February 2018, Interest Rate Futures and Daily Futures contracts system acquired permission for Automated Trading Services (ATS) from Hong Kong regulatory authority.

05 New Products based on Gold and Crude Oil ETF

We have prepared to introduce gold and crude oil ETF-based Daily Futures contracts targeting to list in FY 2019 after the renewal of the exchange system.

06 Diversification of Products Offerings on Click 365

The Click 365 Large market was established for big investors in November 2015, and major

five currency pairs had been listed on the market.

To meet the diversified needs from investors, we seek to revitalize the large market by examining additional listings for high interest rate currency pairs.

We also pursue the mini-sized market on Click 365, a product for beginners, considering the needs from investors.

07

Clearing Service for OTC FX Cover Trades

At the “Council of Experts on Managing Settlement Risks of Foreign Exchange (FX) Transactions for Over-the-Counter (OTC) FX Brokers” established by the Financial Services Agency (FSA), the opinion was indicated about the needs for utilizing clearing houses as a measure to mitigate a counterparty risk associated with cover trades.

TFX has been examining the scheme to clear cover trades of FX brokers (FX Clearing). We will accelerate the preparation for FX brokers to help them to lower the risk against counterparty's default.

[Council of Experts on Managing Settlement Risks of Foreign Exchange (FX) Transactions for Over-the-Counter (OTC) FX Brokers]

Taking into account the fact that the annual trading volume in Japan has increased to about 5,000 trillion yen in the FX market, the FSA concerned about the possibilities of a major crisis on the FX market and financial system in case of a default of FX broker and made the judgment to form an expert committee in December 2017.

At the council, the discussion is being made toward embodying the ideas including “conducting severe and appropriate stress tests, and reflecting to capital base” and “strengthening trade monitoring by enhancing the reporting rule for transaction data in order to ensure the fairness and transparency of trade” (as of May 2018).

08

Introduction of Pack and Bundle Strategies

In February 2018, Packs and Bundles were added as strategy trading of Three-month Euroyen futures.

Since Packs and Bundles generate the market depth individually, it allows trader to grasp the TIBOR yield curve in real time visually and instantly.

09

Efforts toward the Operation Efficiency and Labor Productivity

To increase the efficiency of operations as a part of improvement of labor productivity, we will review our business processes in all sections.

<Efforts in FY 2017>

- ① Digitization of in-house procedures
- ② Introduction of Enterprise Resource Processing (ERP), which provides a unified management from HR to accounting
- ③ Renewal of groupwares and update to the latest applications for workflow and information sharing
- ④ Enabling remote access to groupwares and smart devices

10

Use of AI and Big Data

(1) Improving accuracy and efficiency of market monitoring operation

We examine increasing accuracy and efficiency for market monitoring by analyzing the trend of historical prices and the rates quoted by market makers for Daily Futures contracts market to detect extraordinary rates and widened spreads.

(2) Improving in operation of managing clearing risk

We attempt to improve the monitoring quality by capturing clearing risk in real-time using big data that is going to be built on the next generation system.

11

Domestic Promotion Activities

We aggressively make efforts to expand the markets of Click 365 and Click Kabu 365 by hosting (co-hosting) the following seminars and events to raise the recognition of Click 365 and Click Kabu 365 markets and to appeal the products to investors.

(1) Click Festival 2017

In cooperation with the media Nikkei CNBC, Radio Nikkei, Stock Voice TV, Nikkei Money, Fisco, FOREX Press, and Good Way, we held Click Festival 2017 in four cities in Japan, Tokyo, Osaka, Nagoya, and Fukuoka, from October 2017 to February 2018.

Well-known lecturers delivered keynote speeches to 1,800 investors in total followed by sessions with detailed explanation about the attractiveness of Click 365 and Click Kabu 365.



(2) Higher Interest Rate Currency Seminar

Starting from October 2017, we hold the monthly seminar focusing on higher interest rate currency pairs such as MXN/JPY, ZAR/JPY, and TRY/JPY at the event room, TFX Plaza. In March 2018, we invited Mr. Takashi Kadokura of BRICs Research Institute for a special seminar highlighting the attractiveness of those currency pairs. The seminar was well-received by the participants.



(3) Media Briefing

To expand dispatch of information through media, we held the first media briefing on Click Kabu 365 in June 2017. The articles describing the attractiveness of Click Kabu 365 were posted on many media.

Additionally, another briefing with a focus on the new listing of MXN/JPY and the attractiveness of higher interest rate currencies was held in Tokyo November 2017 and in Osaka March 2018.

(4) Investment Strategy Fair (Tokyo and Osaka)

We set up a booth at the Investment Strategy Fair 2017 (Osaka) and 2018 (Tokyo), one of the largest events in Japan, sponsored by the Pan Rolling, Inc. (publisher of investment-related books) to appeal our listed products. The fair drew 2,300 and 4,300 individual investors in Osaka and Tokyo respectively.

12

International Marketing Activities

We participated in FIA EXPO 2017 (Chicago) in October 2017 and FIA Asia Derivatives Conference (Singapore) in November 2017.

In Chicago, we hosted a reception along with the trade show. Three-month Euroyen futures and other listed products are promoted along with the Japanese financial market to over 300 market players in the reception.



II. Relationship with Participants and Investors

01 Click Association

We sponsor Click Association with the purpose for sharing business strategies, exchanging opinions, promoting communication among the market participants of Click 365 and Click Kabu 365.

In December 2017, the second Click Association was held at the Imperial Hotel to which 50 representatives of trading members attended.

President Ota said the exchange hopes to keep working with members together to promote the market, in his speech. There were exchanges of opinions and information actively.



02 Traders Club

We sponsor Traders Club, an event for interest rate futures trading members, information vendors, and ISVs with the purpose of revitalization of Three-month Euroyen futures market and networking among market participants.

In FY 2017, the event was held in November, lectures about the market trend were provided, and a few participants who contributed to the market the most in the trading volume were honored. About 30 guests participated in the event and actively exchanged opinions.

03 Cryptocurrency Study Group

With a sharply increased interest in cryptocurrencies, trading volume made by Japanese expanded, and overseas exchanges listed Bitcoin futures.

In order to have a comprehensive view of the circumstances and to be prepared for the time when the needs for cryptocurrency derivatives

was argued and the regulations were developed, we established the Cryptocurrency Study Group, which consists of experts. We keep the extensive study around cryptocurrencies to respond when it is needed.

04 Financial Investment/Economy Education

As a public infrastructure, TFX has a mission to contribute to a sound development of the finance and economy of Japan. As a part of the mission, we aggressively make efforts to conduct educational activities on financial investment and economy for improving financial literacy.

(1) Financial investment seminar

In March 2018, we sponsored seminars for young employees with no or few investment experiences to consider future life plans and to understand the necessity of investments. Many young employees participated in the seminar both for the morning session (7:30-8:15) and evening session (18:30-19:15).

(2) Investment education for students

Students from Jeolla high school in Korea and exchange students at Ritsumeikan Asia Pacific University visited TFX in July 2017 and November 2017 respectively. We held the economy and finance seminar for these students. Additionally, the lectures were provided for student at Meiji University on foreign exchange and stock index in July and December.

(3) Public lectures for finance and economy

In FY 2017, we held the finance and economy seminars six times in total at community centers in Chiba, Saitama prefectures and others areas with the themes of foreign exchange and the Nikkei stock average.



III. Human Resources Development and Internal Activation

01

Human Resources Development and Personnel System

(1) Human Resources Vision

We have established a vision for active efforts to develop human resources.

1. Those who voluntarily learn with a strong sense of advancement and keep **challenging** with high aim
2. Those who always pursue **creativity** and respond to all environmental changes flexibly and promptly
3. Those who have a wide field of view to enhance **personal quality**, accept diversity and settle problems in unified cooperation with others

(2) In-house training programs

To realize the human resource vision and to develop highly professional human resources, we implement a variety of trainings and self-development support programs such as stratified educations and overseas language trainings.

With regards to a prevention of harassment, we hold in-house trainings and a consulting desk. The code of conduct has been updated to ban any harassment specifically, and any violations to the code are subject to the disciplinary punishment based on the working regulations.

(3) Acceptance of side and additional business

Side and additional business, excluding ones with conflicts of interest and working for competitors, are permitted to enable the full-time employees to have diversified workstyles. It is also expected that employees to take a larger view and gain more experiences.

02

Building of the Better Workplace

(1) Raising the compulsory retirement age and continued employment

To stabilize the employment of the personnel, we raised the compulsory retirement age to 63 years old and rehire all the employees who apply for the rehiring program until the age of 65.

(2) Encouraging employees to take annual paid leaves

We encourage all employees to take paid leaves with the aim of the usage rate 70%. A half-day off was made available considering obtainability.

(3) Staggered working hours

We introduced staggered working hours for employees who have preschool child and family requires attendance for hospital visit or nursing care. Working hours can be brought forward or pushed back by one hour from the normal hours to allow them time to spend for their family.

(4) Childcare and nursing support programs

We have programs to support balancing work and households by approving leaves for childcare and nursing, exemption from overtime and holiday work, and short working hours.

Especially for childcare leave, TFX allows longer days than what is specified in the law.

(5) Building of energized work place

We have a volunteer group system for the purpose of increasing communication among employees and fostering corporate culture to explore diversified ideas and solutions.

The groups are formed based on the purpose; sports group, event planning group, social contribution and charity group, office hygiene group, and internal newsletter group. All employees participate in the variety of activities voluntary.

I. TFX's Management Base

01 Governance Structure

- ① The Board of Directors makes decisions on important matters regarding fundamental management policy and business activities, and supervises the director's performance of duties.
- ② The Board of Auditors audits the director's performance of duties, and submits an audit report to the shareholders' meeting in accordance with the internal control policy.
- ③ The Nomination and Compensation Committee deliberates on the election and dismissal of officers and remuneration for officers.
- ④ The Self-regulatory Committee makes decisions on self-regulatory operations to ensure the fairness, transparency and credibility of the market, based on delegation from the Board of Directors.

Corporate Organization	Company with a Board of Auditors
Number of Directors	9 Directors (including 5 Outside Directors)
Number of Statutory Auditors	3 Statutory Auditors (including 2 Outside Statutory Auditors)
Advisory Committee	The Nomination and Compensation Committee, Market Operation Committees
Self-regulatory Committee	3 Directors (including 2 Outside Directors)

02 Risk Management Framework

- ① We established the General Policy of Risk Management, which specifically prescribes, major risk managements, the definition of risk management, risk management framework, and risk management method.
- ② We established Risk Management Committee, which discusses any important matters relating to the risk management and makes quarterly report of risk management and an annual report of the appropriateness of the risk management system to the Board of Directors. According to the guidance on comprehensive supervisory for central depository clearing agency, we have annual review for the risk

management system from variety of aspects including risks related to credit, liquidity, system and operation as needed.

- ③ We built a rigorous risk management system in accordance with Principles for Financial Market Infrastructure (FMI Principles). Assuming a default of the member under the extreme market stress, we calculate the estimated loss on a daily basis and ensure we have sufficient financial resources to cover such losses. The qualitative and quantitative information to measure the adaptivity to the FMI Principles is disclosed.

03 Business Continuity Frameworks

- ① We formulated the "Contingency Plan on System Failures" and established a structure for continuing operations in the event of system failure or other emergencies. The contingency plan includes policies under the circumstances where the exchange system and other firm's clearing-related systems become unoperable due to a large-scale disaster.
- ② We set up the Business Continuity Plan (BCP) and established a system for business continuity in case of the occurrence of major earthquakes or terrorisms that threaten TFX's business continuity. BCP defines and clarifies the policies for business continuity in case of any risk events that could freeze the business operations. The information system that is used for the core operation is planned to be restored within 2 hours, and within 24 hours for the market operations.
- ③ In preparation for the occurrence of a disaster, we implemented the following systems and infrastructure development.

【Frameworks and Infrastructures in Event of Disasters】

- ① Secure necessary manpower
- ② Ensure means of telecommunication
- ③ Set up backup offices
- ④ Set up secondary data center
- ⑤ Organize manuals
- ⑥ Conduct testing and educational training

II. Directors and Statutory Auditors

Directors



**Shozo
Ohta**
President & CEO

July 1969

Joined Ministry of Finance

August 1999

Vice Chairman, Bio-oriented Technology Research Advancement Institution

July 2002

Senior Managing Director & COO, The Tokyo International Financial Futures Exchange (currently Tokyo Financial Exchange Inc.)

April 2004

Senior Managing Director of the Company

October 2009

President, CEO and Senior Managing Director

June 2010

President and CEO (Present)



**Wataru
Ito**
Senior Managing
Director

April 1980

Joined the Sanwa Bank, Ltd. (currently MUFJ Bank, Ltd.)

January 2006

Market Sales Manager, Tokyo Financial Futures Exchange Inc. (currently Tokyo Financial Exchange Inc.)

April 2007

Market Manager of the Company

October 2009

Market Manager and Executive Officer

June 2011

Managing Director

June 2016

Senior Managing Director and COO (Present)



**Takuo
Hirota**
Managing Director

April 1979

Joined Daiichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)

April 2005

Manager of Integrated Risk Management Department

March 2006

Manager of Integrated Risk Management Department, Head New BIS Promotion Office Integrated Risk Management Department

April 2008

Standing Statutory Auditor

June 2011

Managing Director of the Company (Present)



**Ryuji
Obara**
Managing Director

April 1983

Joined Fujitsu Ltd.

June 2006

System Manager of the Company

June 2011

System Manager, Executive Officer

June 2013

System Manager, Senior Executive Officer

June 2016

Managing Director (Present)



**Takashi
Imai**
Director (Outside)

April 1952

Joined Fuji Iron & Steel Co., Ltd.

June 1993

Representative Director and President of Nippon Steel Corporation (currently Nippon Steel & Sumitomo Metal Corporation)

April 1998

Representative Director and Chairman of the Board of Directors

May 1998

Chairman of the Japan Federation of Economic Organizations (currently The Japan Business Federation)

May 2002

Honorary Chairman (Present)

June 2003

Senior Advisor, Honorary Chairman, Nippon Steel Corporation

June 2008

Company friend and Honorary Chairman (Present)

June 2009

Director of the Company (Present)



**Masahiro
Okuno**
Director (Outside)

August 1974

Assistant Professor, Department of Economics, University of Illinois at Champaign-Urbana

April 1989

Professor, Faculty of Economics, the University of Tokyo

April 2010

Professor, Faculty of Economics, Ryutsu Keizai University

June 2010

Professor Emeritus, the University of Tokyo (Present)

June 2012

Director of the Company (Present)

April 2013

Professor, Faculty of Political Economy, Musashino University

June 2015

Chairman of Foundation for the Welfare and Education of the Asian People (Present)



**Shusaku
Tsuchihara**
Director (Outside)

April 1983
Joined Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)

April 2012
Managing Executive Officer in charge of sales branches, Mizuho Bank, Ltd.

April 2015
Senior Managing Executive Officer, Mizuho Financial Group, Inc.,
Senior Managing Director, Mizuho Bank, Ltd.

June 2015
Member of the Board of Directors, Mizuho Financial Group, Inc.

April 2017
Deputy President and Deputy President & Executive Officer
Head of Sales division, Mizuho Bank Co., Ltd. (Present)

June 2017
Director of the Company (Present)



**Junko
Hirakawa**
Director (Outside)

April 1973
Licensed as an attorney-at-law admitted in Japan
Joined Yuasa and Hara Law & Patent Office

February 1979
Licensed as an attorney-at-law admitted in the State of New York, U.S.A.

October 1983
Partner of Yuasa and Hara

July 1997
Founding Partner of Hirakawa, Sato & Kobayashi (currently City-Yuwa Partners)

February 2003
Partner of City-Yuwa Partners (Present)

June 2011
Director of the Company (Present)



**Shin
Yoshidome**
Director (Outside)

April 1974
Joined Daiwa Securities Co., Ltd.

April 2007
President, Daiwa Securities SMBC Co., Ltd.
Deputy President & COO and Director of the Board, Daiwa Securities Group Inc.

June 2011
Chairman, Daiwa Securities Capital Markets Co., Ltd.

April 2012
Special Advisor, Daiwa Securities Co., Ltd.

June 2013
Director of the Company (Present)

April 2014
Special Advisor, Daiwa Institute of Research Business Innovation, Ltd.

April 2016
Advisor, Daiwa Securities Co., Ltd. (Present)

Statutory Auditors



**Makoto
Fukuchi**
Standing
Statutory Auditor

April 1981
Joined the Chuo Trust and Banking Co. Ltd. (currently the Sumitomo Mitsui Trust Bank Limited.)

October 1991
Joined Tokyo Financial Futures Exchange Inc. (currently Tokyo Financial Exchange Inc.)

July 2007
Head of Self-Regulation Bureau of the Company

January 2010
Manager, General Administration Department

January 2012
Manager, Accounting Department

June 2017
Statutory Auditor of the Company (Present)

**Toshiyuki
Tsukasaki**
Statutory Auditor
(Outside)

April 1970
Joined the Finance Ministry

July 1998
Deputy Director-General

September 2001
Senior Managing Director, Facilitation Fund for Industrial Structural Adjustment

April 2009
Attorney at Sakai, Aizawa, Mimura Law Firm

June 2011
Discipline Committee member of the Company

June 2015
Statutory Auditor of the Company (Present)

April 2016
Special adviser, Uryu & Itaga Law Firm (Present)



**Shigeyuki
Maeda**
Statutory Auditor
(Outside)

April 1967
Assistant to Law Department, the University of Tokyo

April 1993
Head of law department, Hosei University

April 1997
Professor of social science, University of Tsukuba

April 2004
Professor, Graduate School of Law, Gakushuin University

July 2007
Discipline Committee member of the Company

June 2011
Chairman of Discipline Committee

February 2013
Licensed as an attorney-at-law

June 2015
Statutory Auditor of the Company (Present)

I. Financial Statements

[Income Statement (Summary)]

(in million yen, rounded off to millions)

Account Titles	FY 2016 As of March 31, 2017	FY 2017 As of March 31, 2018
Operating Revenues	8,647	6,690
Fixed amount exchange fees	136	136
Per-contract exchange fees	7,664	5,868
Income related to system equipment	215	231
Other exchange fees	36	32
Member registration fees and others	8	—
Income from information services	263	254
Income from management of specified funds	322	167
Operating Expenses	8,073	6,746
Selling, general and administrative expenses	8,073	6,746
Operating Income/ Operating Loss (▲)	573	▲55
Non-operating Revenues	88	256
Non-operating Expenses	4	5
Ordinary Income	658	195
Extraordinary Losses	—	—
Income before income taxes	658	195
Income taxes - current	93	43
Income taxes - deferred	49	44
Net Income	514	106

[Balance Sheet (Summary)]

(in million yen, rounded off to millions)

Account Titles	FY 2016 As of March 31, 2017	FY 2017 As of March 31, 2018
(Assets)		
Current Assets	19,969	13,100
Cash and bank deposits	19,058	7,453
Accounts receivable - trade	667	640
Securities	—	4,000
Accounts receivable - other	80	875
Prepaid expenses	35	46
Deferred tax assets	124	82
Others	2	2
Non-current Assets	459,814	499,178
Tangible fixed assets	947	1,302
Buildings	443	423
Furniture and equipment	503	308
Construction in progress	—	570
Intangible fixed assets	1,629	3,014
Software	1,455	895
Software development in progress	163	2,108
Others	10	9
Investment and other assets	1,098	6,628
Assets held for guarantee from members	456,139	488,233
Total Assets	479,783	512,279

Account Titles	FY 2016 As of March 31, 2017	FY 2017 As of March 31, 2018
(Liabilities)		
Current Liabilities	1,085	1,870
Accounts payable - trade	494	484
Accounts payable - other	329	1,238
Income taxes payable	65	41
Consumption taxes payable	33	—
Others	161	106
Non-current Liabilities	456,846	488,968
Deposits received from members	456,139	488,233
Others	707	735
Total Liabilities	457,931	490,839
(Net Assets)		
Shareholders' Equity	21,864	21,755
Common stock	5,844	5,844
Capital surplus	6,045	6,045
Retained earnings	9,973	9,865
Default compensation reserve	4,600	3,000
Retained earnings brought forward	5,373	6,865
Valuation/Translation Adjustments	▲ 12	▲ 315
Total Net Assets	21,852	21,439
Total Liabilities and Net Assets	479,783	512,279

[Statement of Changes in Net Assets Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)]

(in million yen, rounded off to millions)

	Shareholder's Equity								Valuation/translation adjustments		Total net assets
	Common stock	Capital surplus		Retained earnings				Total shareholder's equity	Valuation difference of other securities	Total valuation / translation adjustments	
		Capital reserve	Total capital surplus	Other retained earnings			Total retained earnings				
				Default compensation reserve for Interest Rate Futures contracts	Default compensation reserve for Daily Futures contracts	Retained earnings brought forward					
Balance as of April 1, 2017	5,844	6,045	6,045	1,000	3,600	5,373	9,973	21,864	▲12	▲12	21,852
Changes during the term											
Dividend paid	—	—	—	—	—	▲215	▲215	▲215	—	—	▲215
Transfer to default compensation reserve	—	—	—	—	—	—	—	—	—	—	—
Default compensation reserve withdrawn	—	—	—	—	▲1,600	1,600	—	—	—	—	—
Net Income	—	—	—	—	—	106	106	106	—	—	514
The amount changed during the term except shareholders' equity item	—	—	—	—	—	—	—	—	▲303	▲303	▲303
Total amount changed during the term	—	—	—	—	▲1,600	1,491	▲108	▲108	▲303	▲303	▲412
Balance as of March 31, 2018	5,844	6,045	6,045	1,000	2,000	6,865	9,865	21,755	▲315	▲315	21,439

II. Corporate Information (As of the end of March 2018)

Company Name Tokyo Financial Exchange Inc.

Founded April 25, 1989
(In April 2004, TFX changed from a membership organization to a stock company)

Capital 5,844,650,000 yen

Fiscal Term From April 1 every year to March 31 of the following year

Number of Employees 84

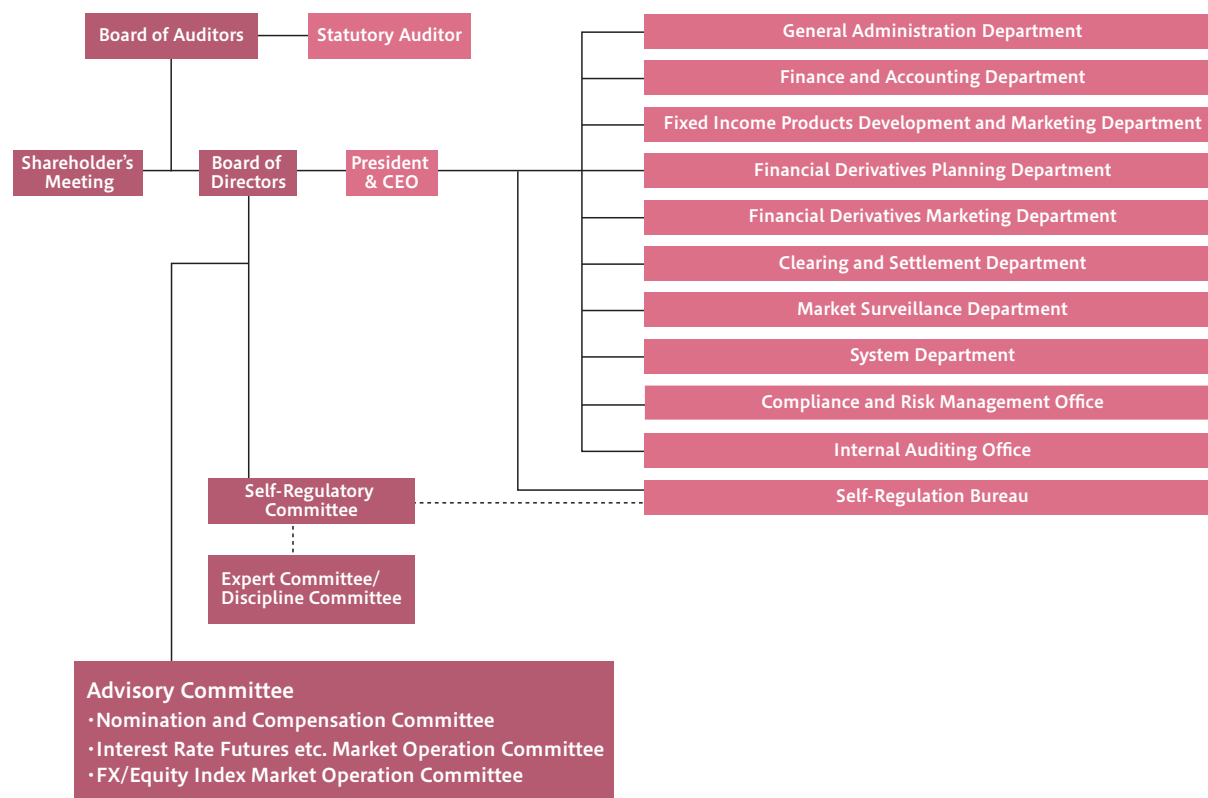
Number of Shares Issued and Outstanding 862,750

Number of Shareholders 79

Major shareholders

Name	Shares held	Shareholding ratio (%)
MUFG Bank, Ltd.	43,130	4.99
Sumitomo Mitsui Banking Corporation	43,060	4.99
Mitsubishi UFJ Trust and Banking Corporation	41,320	4.78
Mizuho Bank, Ltd.	32,400	3.75
Sumitomo Mitsui Trust Bank, Limited	31,320	3.63
Daiwa Securities Co. Ltd	30,660	3.55
Mizuho Securities Co., Ltd.	26,937	3.12
Goldman Sachs Japan Co., Ltd.	26,320	3.05
The Shinkin Central Bank	20,660	2.39
The Norinchukin Bank	20,660	2.39
Mizuho Trust & Banking Co., Ltd.	20,660	2.39
The Bank of Yokohama, Ltd.	20,660	2.39

Organizational Chart





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