



ANNUAL REPORT

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For the fiscal year ended March 31, 2011



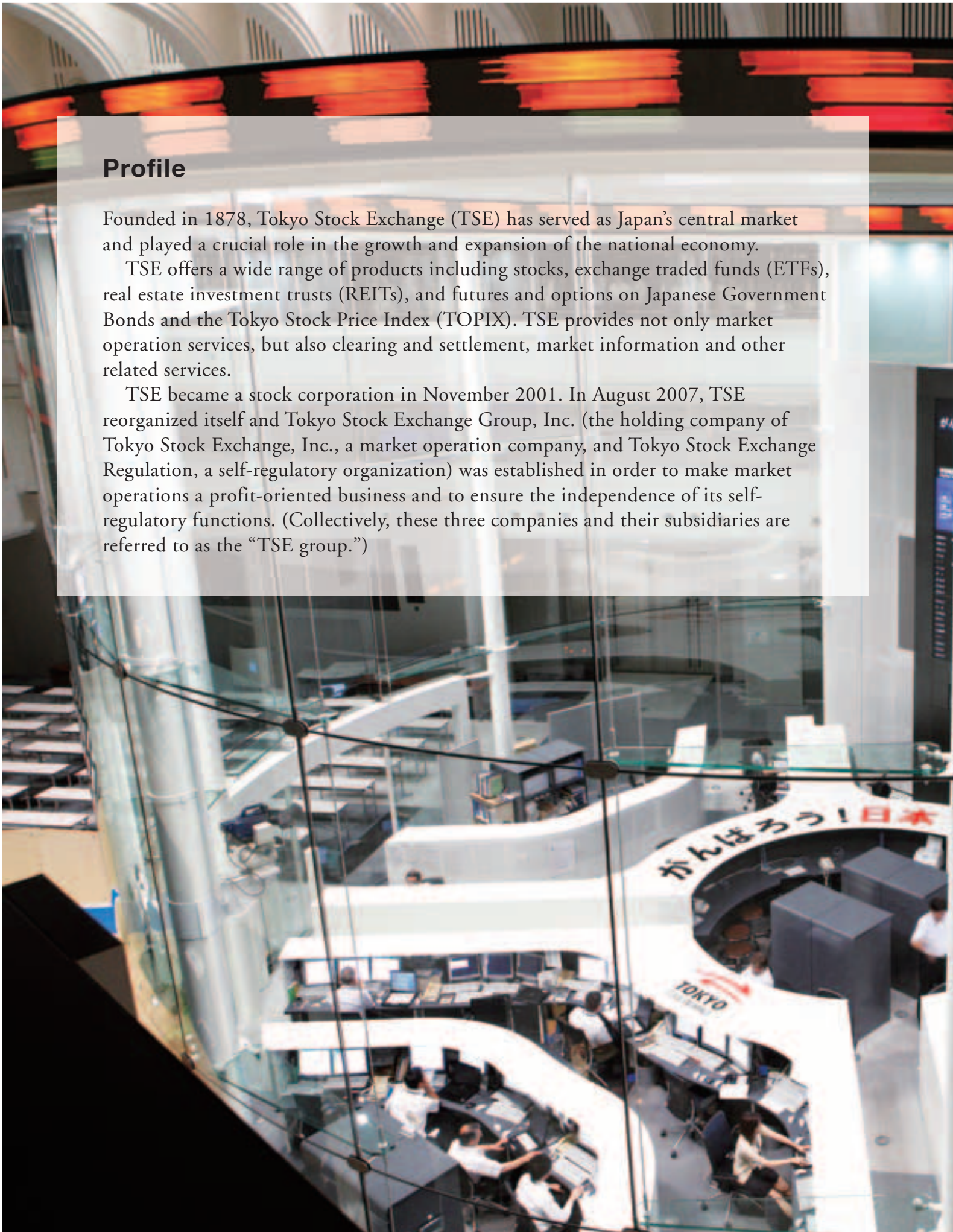
TOKYO STOCK EXCHANGE GROUP, INC.

Profile

Founded in 1878, Tokyo Stock Exchange (TSE) has served as Japan's central market and played a crucial role in the growth and expansion of the national economy.

TSE offers a wide range of products including stocks, exchange traded funds (ETFs), real estate investment trusts (REITs), and futures and options on Japanese Government Bonds and the Tokyo Stock Price Index (TOPIX). TSE provides not only market operation services, but also clearing and settlement, market information and other related services.

TSE became a stock corporation in November 2001. In August 2007, TSE reorganized itself and Tokyo Stock Exchange Group, Inc. (the holding company of Tokyo Stock Exchange, Inc., a market operation company, and Tokyo Stock Exchange Regulation, a self-regulatory organization) was established in order to make market operations a profit-oriented business and to ensure the independence of its self-regulatory functions. (Collectively, these three companies and their subsidiaries are referred to as the "TSE group.")





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Snapshot

Share of Trading Value of Listed Stocks on Domestic Exchanges



As of March 31, 2011

Number of Listed Companies on Major Stock Exchanges

Tokyo Stock Exchange:

2,292
companies

Exchange	Number of Listed Companies
Bombay SE	5,067
TSX Group	3,788
London SE Group	2,938
NASDAQ OMX	2,760
NYSE Euronext (US)	2,312
Shanghai SE	905
Singapore Exchange	782

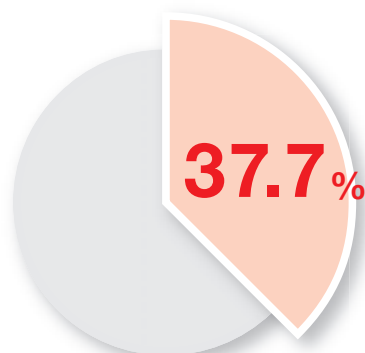
Source: World Federation of Exchanges

As of March 31, 2011

Composition of Operating Revenues (Fiscal year ended March 31, 2011)

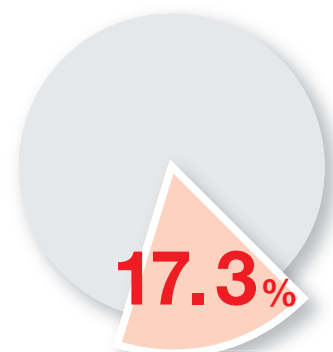
Total
¥57,098
million

Trading Participation Fees



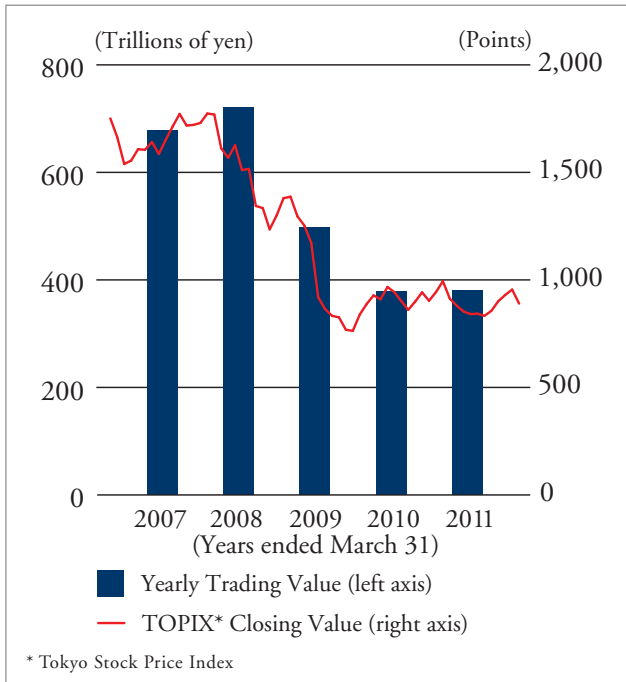
- Basic fees
- Transaction fees
- Access fees
- Trading system facilities usage fees

Listing Fees



- Initial/Additional listing fees
- Annual listing fees

Trading Value of Stocks and TOPIX



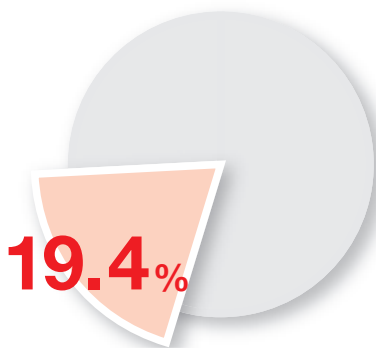
Market Capitalization on Major Stock Exchanges

Exchange	(Millions of U.S. dollars)
NYSE Euronext (US)	14,810,619.6
NASDAQ OMX	4,084,034.7
London SE Group	3,786,794.3
Tokyo SE Group	3,634,790.7
NYSE Euronext (Europe)	3,214,626.1
Shanghai SE	2,904,286.0
Hong Kong Exchanges	2,750,881.0
TSX Group	2,344,620.3
BM&FBOVESPA	1,583,487.4
Deutsche Börse	1,534,295.8

Source: World Federation of Exchanges

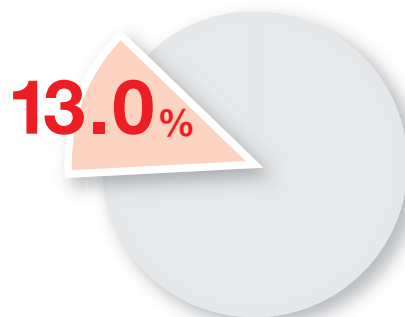
As of March 31, 2011

Income from Information Services



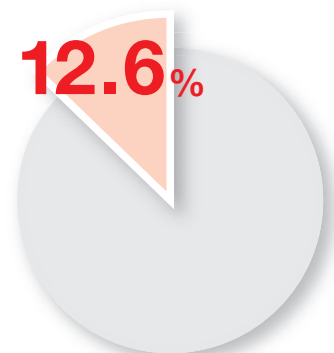
- Market information fees

Income from Securities Settlement



- Fees for trade guarantees and other services by JSCC

Other Operating Income



Consolidated Financial Highlights

The consolidated financial results for the year ended March 31, 2007 are those of Tokyo Stock Exchange, Inc. Tokyo Stock Exchange Group, Inc. was established on August 1, 2007. The consolidated financial statements for the year ended March 31, 2008 are a continuation of the previous consolidated financial statements of Tokyo Stock Exchange, Inc. The consolidated financial results for the years ended March 31, 2011, 2010 and 2009 are those of Tokyo Stock Exchange Group, Inc.

Financial Data

Years ended March 31	Millions of yen except per share data and ratios					Thousands of U.S. dollars ⁶ except per share data
	2011	2010	2009	2008	2007	2011
FOR THE YEAR						
Operating revenues.....	¥ 57,098	¥ 60,666	¥ 67,090	¥ 75,505	¥ 75,478	\$ 686,681
Operating profit.....	13,596	14,825	14,175	28,787	33,016	163,512
Net income (loss).....	8,879	(3,602)	(3,696)	17,701	19,985	106,784
EBITDA ¹	25,514	13,431	3,867	38,960	41,852	306,848
YEAR END						
Total assets.....	¥ 514,405	¥ 391,075	¥ 677,163	¥ 717,676	¥ 565,519	\$6,186,477
Total equity.....	124,782	116,941	114,089	117,776	111,247	1,500,687
PER SHARE DATA						
EPS ²	¥ 3,905.07	¥(1,584.27)	¥(1,626.65)	¥ 7,785.04	¥ 8,789.64	\$ 46.96
BPS ³	53,606.95	50,085.81	49,113.92	50,859.77	48,289.71	644.70
BPS ^{3,5}	45,968.53	42,447.39	41,475.50	43,221.35	40,651.29	552.84
KEY FINANCIAL RATIOS						
ROE ⁴	7.5%	(3.2%)	(3.3%)	15.7%	19.6%	
ROE ^{4,5}	8.8%	(3.8%)	(3.8%)	18.6%	23.6%	

Market Data

	2011	2010	2009	2008	2007	2011
FOR THE YEAR						
Equities trading volume (million shares)...	554,822	566,896	542,104	554,340	506,895	
Equities trading value (¥ billions / US\$ billions)...	¥380,616	¥379,062	¥497,426	¥720,454	¥678,249	\$4,577
TOPIX futures trading volume (thousand contracts) ..	14,927	14,903	17,595	17,382	14,730	
JGB futures trading volume (thousand contracts) ...	8,002	7,076	8,681	14,090	11,801	
YEAR END						
Number of listed companies.....	2,292	2,313	2,370	2,415	2,413	
Market capitalization (¥ billions / US\$ billions)...	¥301,251	¥330,281	¥255,909	¥396,008	¥559,385	\$3,623
Index (TOPIX).....	869.38	978.81	773.66	1,212.96	1,713.61	

Note: 1. EBITDA = Income (loss) before income taxes and minority interests + Interest expense + Depreciation

2. EPS = Net income (loss) / Weighted-average number of common shares for the year

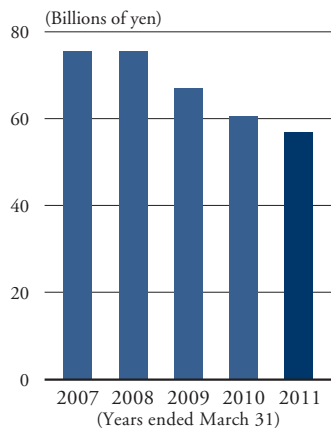
3. BPS = Shareholders' equity / Weighted-average number of common shares for the year

4. ROE = Net income / Shareholders' equity (average)

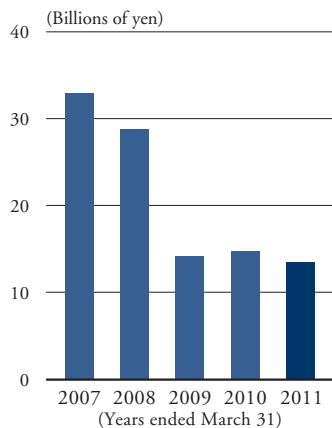
5. Calculated excluding the default compensation reserve funds

6. Rate of US\$1 = ¥83.15 used for conversion

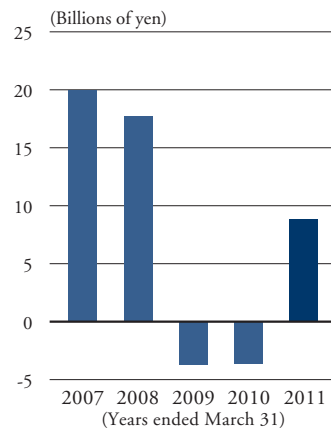
Operating Revenues



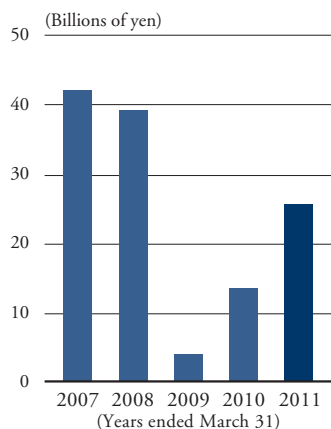
Operating Profit



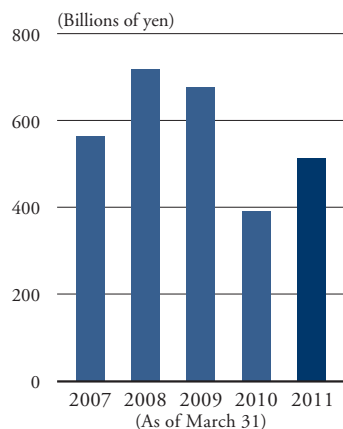
Net Income (Loss)



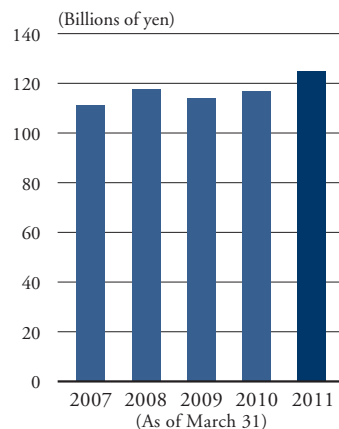
EBITDA



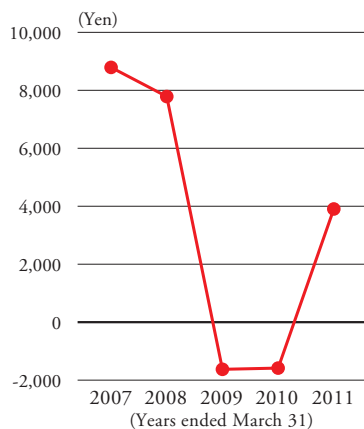
Total Assets



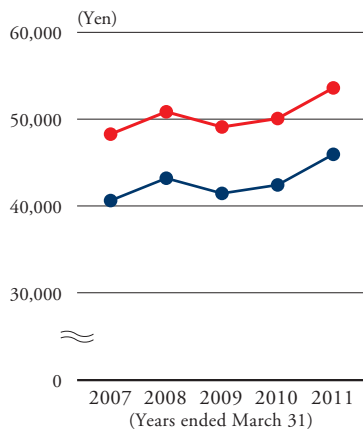
Total Equity



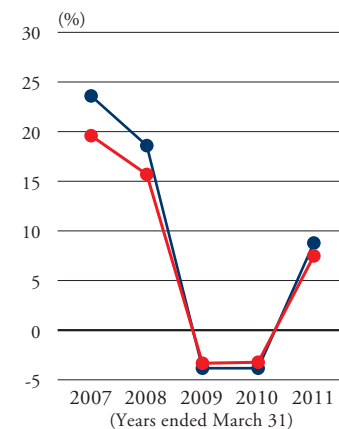
EPS



BPS



ROE



● BPS
● BPS (calculated excluding the default compensation reserve funds)

● ROE
● ROE (calculated excluding the default compensation reserve funds)

To Our Shareholders



Atsushi Saito

President & CEO
Tokyo Stock Exchange Group, Inc.

Profile

Atsushi Saito was with Nomura Securities Co. Ltd. for 35 years, starting in 1963. After 2 stints in New York, he became a member of the board in 1986 and Executive Vice President in 1995. Over the course of his career with Nomura, he took charge of a wide range of projects in different divisions including Treasury & Fixed Income Dealing, Equity, and Syndicate & New Products. In the late 1980s he focused on securitization of non-performing loans in the United States such as Financial Center Building in Manhattan. Prior to becoming President & CEO of TSE in June 2007, he tackled various revitalization projects as President & CEO of the Industrial Revitalization Corporation of Japan since its inception in 2003.

We are taking various initiatives to strengthen the functions of the financial market infrastructure for “Japan’s Revitalization”.

The Great East Japan Earthquake caused severe damage to the Japanese economy, in particular to the Tohoku (northeast) region. The impact of disrupted supply chains affected manufacturers not only in Japan but also on a global scale. However, there is the growing view that, as quake-afflicted companies recover quickly, massive demand from reconstruction is expected to bring substantial economic growth in the second half of fiscal year 2011, ending March 31, 2012. There are also observations that the earthquake narrowed the gap between supply and demand, possibly providing the impetus to end prolonged deflation in Japan. An awakening of national sentiment with the public and private sectors pulling together to drag Japan out of its mire and begin moving forward is also significant. The earthquake was no doubt a terrible disaster, but we are positive about the Japanese economy and are hopeful that we may, someday, look back to March 11, 2011 and realize that it was a major turning point for the Japanese economy.

When the earthquake occurred, the TSE group (Tokyo Stock Exchange Group, Inc. and its subsidiaries including Tokyo Stock Exchange, Inc. and Tokyo Stock Exchange Regulation) worked tirelessly to provide uninterrupted market functions as Japan’s primary cash equities market with a business continuity plan (BCP), regulatory measures to alleviate sharp stock price fluctuations such as daily price limits, and a highly robust and advanced system infrastructure. By virtue of these measures, TSE was not directly affected by the earthquake and we were able to provide stable market functions even at the height of the chaos after the earthquake. Our preparations against risks functioned well this time.

The primary duty of an exchange is to

continuously provide market functions under any circumstances and to facilitate the efficient allocation of risk assets, thereby contributing to a country’s economic growth. This perspective has guided the TSE group in dramatically strengthening its market infrastructure in terms of both its trading systems and market rules. However, with markets contracting after the global financial crisis, we recognize that the functions of our infrastructure have yet to be fully utilized and that many issues remain to be addressed.

Consequently, the TSE group formulated a new medium-term management plan, that began in fiscal year 2011, with the core idea of strengthening the functions of the financial capital market infrastructure for “Japan’s Revitalization”. We plan to “increase the number of initial public offerings (IPOs)” and “expand our derivatives and exchange traded fund (ETF) markets”, improving the current market infrastructure, so as to further expand our market user base and secure a higher level of liquidity. We will pursue initiatives to enhance the functions of the Tokyo market, such as lending support to post-quake corporate activities in order to bring about a full-scale revitalization of the Japanese economy, as well as constantly providing both domestic and foreign investors with highly attractive investment products.

The TSE group will do its utmost to provide a highly attractive and user-oriented market. We sincerely hope to have the continued support and cooperation of our shareholders and market participants.



Review of the Previous and New Medium-Term Management Plans

New Medium-Term Management Plan

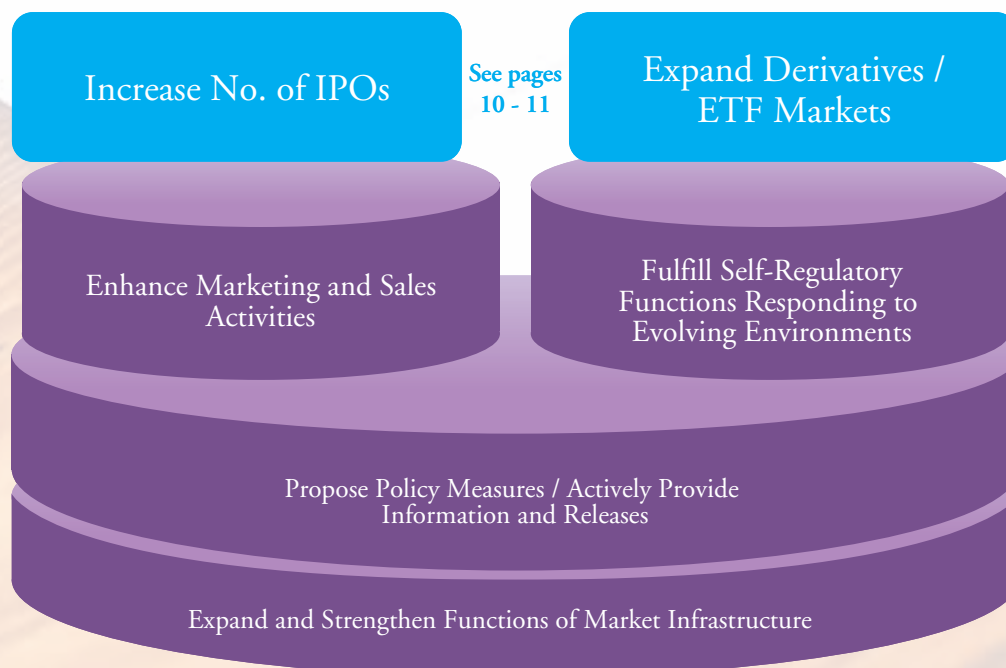
With the previous medium-term management plan, TSE aimed to “expand the market’s size via quantitative expansion and qualitative enhancements” and realized improvements in the market infrastructure.



In the next three years, TSE plans to expand its user-base, including individual investors, and secure a high level of liquidity by improving the current market infrastructure.

- Specifically, TSE plans to strengthen the functions of the financial market infrastructure as a source of risk money to corporations and a base of efficient asset management based on the following core ideas, thereby leading Japan to economic revitalization.

Strengthen the Functions of the Financial Market Infrastructure for “Japan’s Revitalization”



See pages 12 - 13

Achievements and Review of the Previous Medium-Term Management Plan

The TSE group attained substantial achievements by upgrading the infrastructure of the TSE market under the previous medium-term management plan whose goal was “expanding the size of the market through quantitative expansion and qualitative enhancements”. Specifically, with the launch of “arrowhead” and “Tdex+ System”, the trading systems for cash equities and options, respectively, as well as co-location services and the high-speed network “arrownet”, we built a market infrastructure that can handle new trading techniques such as high-frequency trading and algorithmic trading. Through renewing our market infrastructure in this way, we are now able to provide investors with a trade execution environment of the highest global standard.

In addition, in a bid to widen our range of highly attractive listed products, we aggressively expanded our lineup of ETFs to offer access to diverse asset classes including foreign stocks, bonds, and commodities. In the course of this expansion, we attained the goal of listing 100 ETFs as laid out in the previous medium-term management plan. Moreover, in order to build a market environment in which investors can participate with confidence, the TSE group also took initiatives to improve its systems and frameworks to enhance the corporate governance of listed companies, such as introducing rules for independent directors/auditors and measures against capital increases via allotment of shares to a third party (similar to private placement).

The New Medium-Term Management Plan

The recent renewal of our market infrastructure allowed the TSE group to succeed in attracting new investors emerging in overseas markets who apply high-frequency or algorithmic trading. This has also brought about benefits in the form of new liquidity and lower execution cost. On the other hand, the deteriorating economic climate after the global financial crisis has led to a decrease in the number of IPOs, a trend that is especially evident in Japan.

Given these circumstances, we will strive to increase the number of IPOs and expand the derivatives and ETF markets, laid out as core initiatives in the new medium-term management plan, as a source of risk money to corporations and a venue for efficient fund management. In this way, the TSE group will endeavor to contribute to the revitalization of the Japanese economy with a focus on further strengthening the functions of the financial market infrastructure for “Japan’s Revitalization”.

Core Business Initiatives

Main Themes

Plan 1 Increase No. of IPOs - Fulfill the Function of Providing Risk Money

- 1. Improve Environment to Increase No. of IPOs**
 - Adjustments to the listing rules to increase no. of IPOs
 - Reform of the “Mothers” market
 - Adjustments to facilitate smoother financing, such as promoting the use of rights offerings, etc.
- 2. Enhance Services for Listed Companies**
 - Expand varieties of services to add intrinsic value to TSE listing
 - Improve convenience of timely disclosure system for listed companies
 - Promotion of distribution and use of English disclosure materials of listed domestic companies
 - Enhance services for “Mothers”-listed companies, such as expanded analyst coverage, etc.
- 3. Promote Listing of Domestic and Overseas Companies Attractive to Investors**
 - Promotion activities to related parties such as companies in the preparation process for listing, securities companies and audit corporations
 - All-out activities of promotion and support for domestic and foreign companies which are preparing to list according to their unique attributes and procedural stage
 - Publicize and promote the listing system refined for invigoration of IPOs, etc.

Goal for Fiscal Year 2013

Aim to have a sufficient number of listing applications to realize the new listing of over 60 companies annually from fiscal year 2013.

Plan 2 Expand Derivatives / ETF Markets - Act as a One-Stop Market

- 4. Expand User Base and Increase Liquidity of Growing Products, such as Derivatives and ETFs**
- 5. Further Diversify Listed Products**

Derivatives Market

- Rule adjustments to increase liquidity
 - Migration of futures trading to “Tdex+ System” and coinciding rule revision, etc.
- Expansion of user base and trading opportunities
 - Increase individual investors via online securities companies
 - Increase market makers and liquidity providers based on globalization of trading
 - Promote to encourage participation of institutional investors and proprietary trading from securities companies
 - Promote to potential remote trading participants to secure order flows from overseas, etc.
- Enhance product lineup to meet customer needs

ETF Market

- Promotion activities and rule adjustments to increase liquidity
 - Revision of trading rules, laws, market practices, etc. to increase liquidity
 - Expand information provision with ETF market reports, etc.
 - Implement educational campaigns and seminars to expand investor base
 - Conduct promotion to encourage participation of domestic and overseas institutional investors, etc.
- Enrich product lineup with attractive listed products

Goal for Fiscal Year 2013

Increase derivatives market trading volume to double that of fiscal year 2010.

Goal for Fiscal Year 2013

Increase ETF trading value to 5% of the equity market.

Core Business Initiatives

Under the new medium-term management plan, the TSE group will focus on the core business initiatives of “increasing the number of IPOs” and “expanding the derivatives and ETF markets”.

The TSE group will work diligently to increase the number of IPOs by domestic and foreign growth companies with a view to fulfilling the function of a primary market of providing risk money and then nurturing new businesses and industries, thereby revitalizing Japan’s economy. Specifically, we will steadily refine the “Mothers” listing rules to invigorate the market for growth companies. We will also seek to further increase the merits of listing on the TSE market as well as the appeal of being TSE-listed companies by means such as promoting the distribution and use of English disclosure materials on Japanese companies, and expanding analyst coverage of “Mothers”-listed companies. In addition, in order to prepare the necessary conditions to attract at least 60 newly listed companies every year, starting from fiscal year 2013, the TSE group will commit itself to supporting promotion activities that target domestic and foreign corporations that are preparing for a listing, securities companies, and audit firms.

In expanding the derivatives and ETF markets, the TSE group will work toward becoming a one-stop market for a wide variety of products. In particular, we will focus on the derivatives and ETF markets, where there is ample room for higher levels of liquidity, in order to facilitate even more efficient or cost-conscious asset management. Our target for the derivatives market is to double trading volume by the end of fiscal year 2013. Specific measures to achieve this target include migrating futures trading to “Tdex+ System”, expanding trading hours significantly, encouraging individual investors’ participation by expanding the product lineup offered through online brokerage firms, increasing the number of market makers to improve liquidity provision, and conducting promotion activities. With regards to the ETF market, in order to grow ETF trading value to 5 percent of the total stock market trading value by the end of fiscal year 2013, we will develop rules aimed at increasing liquidity, offer a market condition report for individual ETFs, hold promotional events such as seminars for investors, and continue to broaden the range of listed ETFs.

Measures for Implementing Strategy

Main Themes (continued)

Plan 3 Enhance Marketing and Sales Activities

6. Pursue User-Oriented Services

7. Promote Proactive Sales Activities to Discover New Areas of Customer Needs with Users

- Establish and enhance marketing and sales activities
 - Establish Marketing and Promotion Unit (New Listings Dept./Market Business Development Dept.) [April 2011]
- Move ahead with business promotion in accordance with each focus theme

Plan 4 Fulfill Self-Regulatory Functions Responding to Evolving Environments

8. Increase Reliability through Self-Regulatory Operations That Properly Conform to Diversified Trading Styles, Products and Corporations

- Promote proper listing examination operations with a balance of quality and efficiency
- Promote activities for “preventative” listed company compliance
- Introduce inspection methods conforming to the new market environment
- Increase sophistication and efficiency of market surveillance activities that conform to diversified trading methods and products
- Strengthen compliance support for market participants

Plan 5 Propose Policy Measures / Actively Provide Information and Releases

9. Propose Policy Measures Aimed at Strengthening the Competitiveness of the Japanese Financial Market

10. Enhance Information Distribution Using Diverse Methods

- Propose policy measures
 - Establish study group [June 2011]
 - Proposals through studies, seminars, reports, etc. related to various market developments and regulations
 - Express TSE’s own views in global discussion surrounding exchanges at international meetings, etc.
- Enhance information distribution
 - Proactive information distribution via domestic and overseas media and various methods (SNS, overseas publications, etc.)
 - Complete release of external information in English
 - IR support for listed companies through events targeting investors, etc.

Plan 6 Expand and Strengthen Functions of Market Infrastructure

11. Further Expand Clearing and Settlement Business Field (promote in cooperation with related institutions)

- Expand clearing business
 - Index CDS clearing, Single-Name CDS clearing, IRS clearing, etc.
- Reform clearing and settlement rules to enhance market functions, and advance functions as a clearing organization

12. Further Enhance Information Services

- Enhance index business
- Introduce new information services and increase business from existing services

13. Enhance Efficiency and Convenience of the Cash Market

- Respond to expansion of off-exchange trading
 - Rule revision to improve convenience and ensure competitiveness of ToSTNeT market
 - Revision of trading rules and margin trading rules, etc.
- Improve and enhance trading system functions
 - Enhance “arrowhead” functions
 - Boost “arrowhead” capacity, expandability and performance
 - Leverage “arrownets” strategically, etc.

Measures for Implementing Strategy

The TSE group will take the following measures in order to implement the core business initiatives.

The first is to “enhance marketing and sales activities”. The TSE group will create a framework with a single point of contact through the newly established Marketing and Promotion Unit, which consolidates sales and marketing functions previously scattered across different sections and is tasked to provide timely and functional services reflecting user needs. The unit will channel efforts into the primary market by providing support to companies seeking to list on TSE and performing activities such as developing and listing ETF products. It will also perform promotion activities with a view to enhancing the functions of its secondary market, in ways such as expanding the use of TSE-listed products, and facilitating external sales and use of technology and services including trading systems and co-location services. In this way, we will do our utmost, in both the primary and the secondary markets, to increase the user-friendliness of the overall TSE market and achieve quantitative expansion.

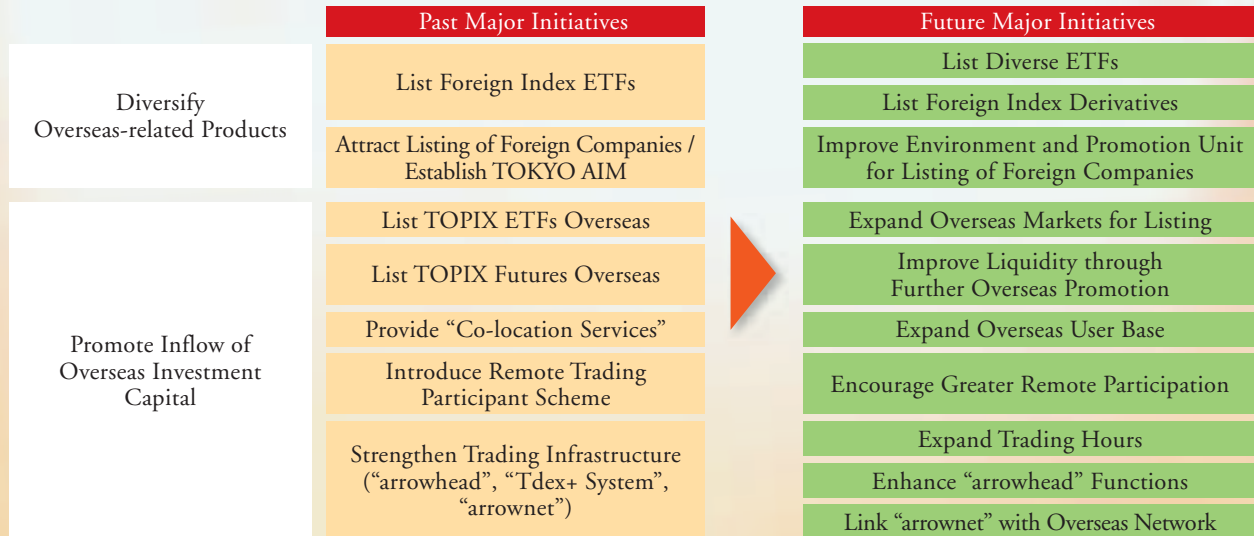
Another measure is to “fulfill self-regulatory functions responding to evolving environments”. As trading methods become more complex and financial instruments become more diverse, flexible and responsive self-regulation is gaining importance in maintaining and improving market reliability. The TSE group continues to demonstrate the merits of being an exchange with self-regulatory functions through aggressive actions such as market surveillance and monitoring as well as stringent listing examinations. With the recent surfacing of concerns over questionable accounting in markets of emerging countries and off-exchange transactions, the TSE group will reaffirm the importance of self-regulatory operations and strive to ensure a fair and reliable market by enhancing systems and human resource management.

Finally, the TSE group will “propose policy measures and actively provide information and releases”. While we have been implementing various measures to enhance the functions of the Tokyo market, we recognize that, in order to further raise the appeal of the Tokyo market in the global arena, there remain several issues to improve upon in areas such as taxation and market regulations. The TSE group will conscientiously offer policy recommendations on such issues beyond the framework of an exchange and support swift reform so as to raise the appeal and global presence of the Japanese market. In addition, we will further increase investor convenience by expanding information distribution in English and creatively utilizing media, such as social networking services, which are easily accessible regardless of time or place, to improve access to information, thereby offering greater convenience for both domestic and overseas investors.

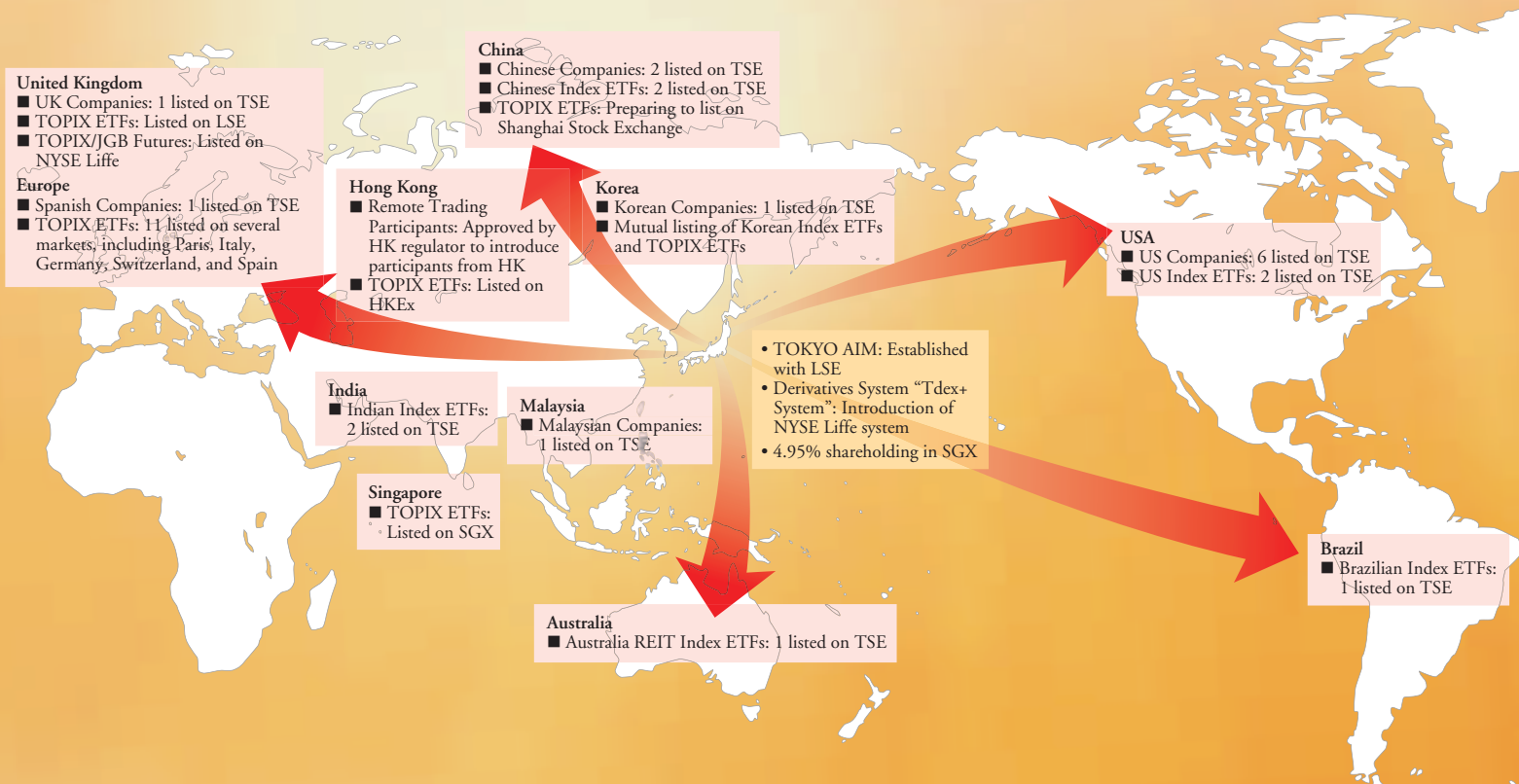
Moreover, the TSE group will continue to aggressively expand its market infrastructure and strengthen its functions. Japan Securities Clearing Corporation, a subsidiary of Tokyo Stock Exchange Group, Inc., began clearing credit default swaps (CDS) in July 2011. Moving forward, we will look to continue expanding our clearing and settlement business. In terms of system infrastructure, we will increase the processing speed and capacity of “arrowhead” and upgrade off-auction trading functions to increase market usability, among other improvements.

Global Developments of the TSE group

Future International Initiatives



Past Major International Initiatives



Global Developments of the TSE group

Amid increasing global competition among markets, the TSE group is embracing a cross-border approach toward reinforcing our position as an international financial center such as diversifying foreign products and facilitating overseas investment capital inflows.

To date, the TSE group has channeled its energies into allowing domestic investors access to overseas investments at low cost by increasing the variety of foreign products with a focus on ETFs, and expanding opportunities for foreign investors to invest in TSE-listed products by promoting the listing of TOPIX ETFs in overseas markets. In terms of the market infrastructure, we are in the midst of improving our trading systems and networks to offer a world-class trading environment. For instance, in the derivatives market, we launched a trading system “Tdex+ System” based on NYSE Liffe’s LIFFE CONNECT® technology. In connection with this launch, TOPIX futures and other products were also listed on the NYSE Liffe market.

Moving forward, the TSE group will look to enhance the liquidity of foreign products and attract further inflows of overseas investment capital. In order to do so, we will take measures such as listing foreign index derivatives products to create greater synergy with ETFs, expanding the international provision of TOPIX products, facilitating the use of remote membership, and using the system infrastructure in a strategic link between TSE’s “arrownet” network and NYSE Euronext’s Secure Financial Transaction Infrastructure (SFTI®) hub. Through these efforts, we will pursue an environment that offers investors flexible access to domestic and foreign investment products.

Over the years, the TSE group has formed cooperative relationships with various overseas exchanges. In implementing these initiatives, we will give top priority to user needs and collaborate with appropriate organizations including overseas exchanges and related foreign institutions. While we remain aware of the recent trend in cross-border mergers, we will explore all options, including strategic alliances with our overseas peers, to achieve the targets set forth in our new medium-term management plan. The TSE group will also endeavor to consolidate its business base and further reinforce its position as a global financial center in preparations for a prospective listing.

Review of Operations

Cash Equities Market & Derivatives Market

TSE strives to offer a dynamic market for global risk capital by providing a highly user-oriented market infrastructure that can accommodate sophisticated trading techniques while expanding its lineup of attractive listed products. Building upon the growth of the ETF and derivatives markets has been a primary strategic focus in recent years. TSE will increase liquidity through measures that include increasing the number of ETFs, enhancing the functions of trading systems, and extending trading hours.

Overview

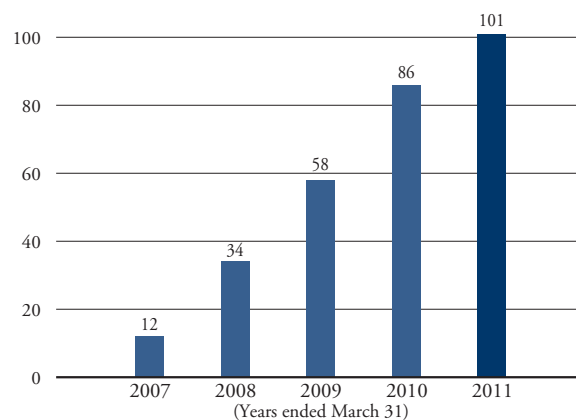
On the back of recent changes in the regulatory environment and developments in IT centered on networks, the trading environment now allows execution at lower costs and higher speeds. At the same time, competition is intensifying between existing exchanges and alternative venues such as alternative trading systems (ATS) and multilateral trading facilities (MTF). This is causing market fragmentation and scattered liquidity in major overseas markets. In order to respond to changes in the global market environment, TSE has strived to provide a cost-effective execution environment with system infrastructures of the highest global standard such as “arrowhead” and “Tdex+ System”, and enhance market usability.

Cash Equities Market

TSE has been focusing its efforts on increasing the number of ETFs with a view to providing investors with diverse investment products. Since the formulation of its previous medium-term management plan until March 2011, TSE has tripled the number of ETFs and attained the goal of 100 listed issues. TSE now offers ETF products for a wide array of investor needs, ranging from commodities to global bonds and emerging country equities. Such commodity-related ETFs include products linked to baskets of precious metals that have gained attention as safe assets, crude oil and agricultural products. In addition, the listing of exchange traded notes (ETNs) in August 2011 offered access to an even greater diversity of asset classes in a form that is not possible for ETFs. This means that ETNs can be created without restrictions on holding assets such as stocks of companies in emerging countries and rare metals.

TOKYO AIM, an equity market for professional investors established by Tokyo Stock Exchange Group, Inc. in collaboration with London Stock Exchange Group plc., welcomed its pioneer listing in July 2011. With this development, the TOKYO AIM market is expected to take off.

Growth in Number of ETFs



Derivatives Market

There is substantial growth potential for the derivatives market. Aiming to further increase trading opportunities, TOPIX futures were listed on NYSE Liffe in October 2010, and a position transfer scheme was introduced as a means to enhance convenience through unified position management. TSE plans to introduce a position transfer scheme for Japanese government bond (JGB) futures contracts listed on NYSE Liffe in the same form as that for TOPIX futures in September 2011.

Given the recent global growth in dividend swap



transactions, TSE took the lead in listing futures contracts on dividend indices in Asia, for which trading began in July 2010. The introduction of futures contracts on dividend indices gives, primarily, institutional investors a means to hedge dividend volatility risk, and the market for this new investment product is expected to grow.

New Initiatives in 2011

ETF Market

TSE attained its goal of listing 100 ETFs by the end of fiscal year 2010 and will continue expanding its lineup of attractive investment instruments, including ETNs. In addition, TSE will make preparations to revise trading rules and regulations and market practices in order to increase liquidity, and distribute reports on dividends, market value, underlying indices, etc. on individual ETFs to make for a more user-friendly market.

Derivatives Market

In the derivatives market, TSE will further expand the number of derivative products handled by online brokerage firms to encourage individual investors' participation. Moreover, TSE will move to strengthen its liquidity

providing function by increasing the number of market makers, while also aiming to broaden the market user base through efforts such as promotion activities targeting investors.

Upgrading Market Infrastructure

TSE is scheduled to extend the trading hours of both the cash equities and derivatives markets from November 21, 2011 with a view to providing investors with more opportunities to trade cash and derivative products. In the cash equities market, TSE will retain the "Itayose" method (a type of call auction), which boasts high liquidity and is unique to Japan, and extend the morning session by 30 minutes to allow market users to respond to trends in Asian markets. In the derivatives market, TSE will also greatly extend the evening session for index and JGB futures contracts to 11:30 p.m. Japan time to respond to the needs of investors trading in Europe and North America.

Concurrently, TSE will migrate futures trading onto "Tdex+ System". Together with the successful migration of equities trading to "arrowhead", TSE will offer an execution environment of the highest global standard in both the cash equities and derivatives markets.

	After Extension			Current		
	Morning	Afternoon	Evening	Morning	Afternoon	Evening
Cash equities	9:00 – 11:30	12:30 – 15:00	–	9:00 – 11:00	12:30 – 15:00	–
TOPIX futures	9:00 – 11:35	11:45 – 15:15	16:30 – 23:30	9:00 – 11:00	12:30 – 15:10	16:30 – 19:00
JGB futures	8:45 – 11:02	12:30 – 15:02	15:30 – 23:30	9:00 – 11:00	12:30 – 15:00	15:30 – 18:00

Note: Times shown are for trades in the auction markets.

*The evening session for index option transactions and JGB futures option transactions will be extended to 23:25.

IT Infrastructure

With rapidly developing information technologies, it is imperative for exchanges to continuously provide investors with a highly reliable and user-friendly system infrastructure in order to remain competitive in the global arena. TSE will continue to strengthen its IT infrastructure in ways such as further enhancing the functions of the equities trading system “arrowhead” and migrating futures trading onto “Tdex+ System”, a trading platform developed based on NYSE Liffes’s LIFFE CONNECT® technology.

Overview

“arrowhead”

TSE launched new equities trading system “arrowhead” in January 2010, which dramatically improved speed, reliability and scalability. “arrowhead” is designed to achieve 99.999% availability and maintains uninterrupted market operations as a highly stable and secure system. Moreover, the number of orders placed through the “Co-location Service” has been drastically increasing since its start in 2009. This proves that the Tokyo market is also attracting new types of investors utilizing advanced trading techniques such as high-frequency trading and algorithmic trading, which have already gained a strong presence in the US and European markets. The launch of “arrowhead” with low latency and high capacity led to this phenomenon.

The fact that TSE processed record levels of trading volume and orders with sufficient capacity immediately after the Great East Japan Earthquake in March 2011 can be attributed to “arrowhead”. TSE also added new functions and services to “arrowhead”.

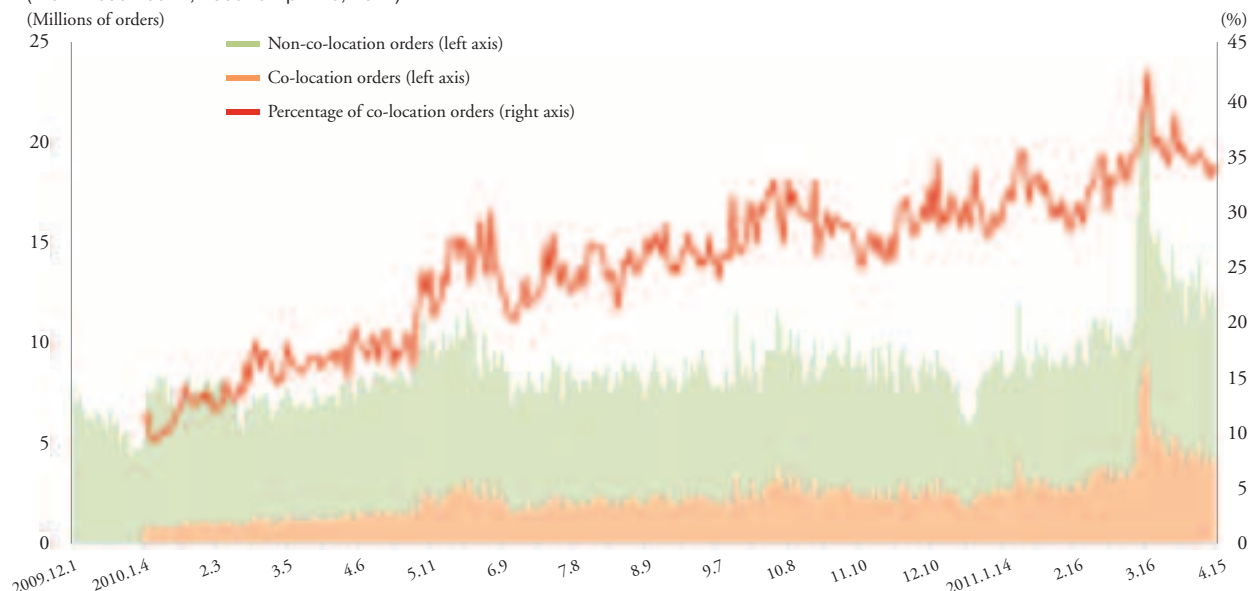
One of the added functions of “arrowhead” was support for Immediate or Cancel (IOC) orders, a type of conditional order launched in January 2011 to meet new demands from market users.

TSE also started a high-speed index dissemination service in February 2011, responding to the growing needs of investors for high-speed delivery of market information after the launch of “arrowhead”. This high-

Number of Co-location and Non-co-location Orders and Percentage of Co-location Orders

(From December 1, 2009 to April 15, 2011)

(Millions of orders)



speed service calculates indices with each trade execution or change in the best quotes for individual index constituents, and disseminates them on a real time basis. Price changes in the market that used to take as long as one second to be reflected in the index now require 10 milliseconds or less*. This is approximately 100 times faster than before. This allows investors to see and respond to market movements as quickly as possible.

* Actual figures measured in test environment

New Initiatives in 2011

Improving “arrowhead” Performance

Amid swiftly evolving IT, TSE will strive to maintain an execution environment of the highest global standard through strengthening its trading systems as the core of market infrastructure. This will be achieved through such means as securing sufficient capacity to accommodate market growth, as well as raising “arrowhead” performance and expanding its functions.

TSE plans to enhance the performance of “arrowhead” by May 2012 by further trimming the current average order response time of two milliseconds. Specifically, the processing speed of the server clusters handling orders will be increased in a bid to achieve an average order response time of one millisecond or less. In conjunction with this, we plan to augment capacity in preparation for further market growth.

In light of rapidly developing technological innovation and diversifying needs of market users, TSE will continue to frequently enhance system performance and expand functions.

Integrating Futures Trading into “Tdex+ System”

TSE is scheduled to migrate its futures trading to “Tdex+ System” in November 2011, thereby integrating futures and options trading onto a single platform for derivatives.

“Tdex+ System” is a trading system developed based on LIFFE CONNECT® technology that has a proven track record with NYSE Liffe, a subsidiary of the NYSE Euronext group, and is highly rated by investors worldwide for its distinguished processing speed and functions. The migration of futures trading to “Tdex+ System” will bring about a dramatic improvement in order processing speed.

With the integration of derivatives onto a single trading platform, TSE will complete the renewal of its trading systems. Investors will then be able to enjoy the highest global standard of usability in the TSE market.

Network Expansion

In March 2011, TSE signed a letter of intent with NYSE Euronext to explore mutual linkage between TSE’s “arrownet” and the NYSE Secure Financial Transaction Infrastructure (SFTI®). If it is realized, the linkage would connect the US, Europe and Asia with robust and high-speed circuits. This would create an environment that provides customers in one market with easy access to other markets. Such an environment would facilitate capital flow among regions and create a wide range of business opportunities.

Listing System Improvements

TSE firmly understands the importance of invigorating the market for growing companies to sustainable growth in Japan. As such, TSE improved the listing rules for the “Mothers” market. In addition, TSE created a framework for listing ETNs with the aim of further diversifying its range of attractive listed products. In the wake of the Great East Japan Earthquake, TSE swiftly adjusted its listing rules to support early recovery of afflicted companies.

Overview

Measures to Improve the Credibility and Dynamism of the “Mothers” Market

Providing growth companies with opportunities for raising funds and offering attractive investment targets will establish a cycle of efficient capital flow, in which new businesses and industries may be nurtured. Such a cycle is crucial for sustainable growth in the Japanese economy. Therefore, improving the credibility and vitality of the “Mothers” market is an urgent issue.

Specific efforts include strengthening collaboration with trading participants and audit firms to enhance the effectiveness of listing examination. TSE will also revise the listing examination process in order to reduce the time required for listing. Measures such as increasing analyst coverage on “Mothers”-listed companies and supporting investor relations activities to provide in-depth corporate information will also be taken to invigorate the secondary market.

Establishing Listing Framework for ETNs Structured as JDRs

In its efforts to increase the range of attractive investment products, TSE established a listing framework for exchange traded notes (ETNs), which have emerged in the footsteps of ETFs and enjoy active trading in various countries. Specifically, it involves listing ETNs in the form of Japanese Depositary Receipts (JDRs) to facilitate smooth circulation and allow them to be subject to tax treatment in the same way as equities and ETFs.

ETNs can be linked to prices of assets such as equities in countries which have holding restrictions on foreign entities, or commodities like rare metals for which holding can pose difficulties. This unique characteristic is expected to offer investors access to a greater variety of asset classes.

Measures to Support the Recovery of Corporations and Regions Affected by the Great East Japan Earthquake

As part of its role as Japan’s central market, TSE adjusted its listing rules to support the recovery of companies and regions affected by the Great East Japan Earthquake.

With a view to preventing stagnation of economic activity, TSE implemented several measures. They include adjustable handling of delisting criteria for afflicted companies as well as flexible listing examinations for candidate companies whose corporate results were temporarily affected by the disaster. Furthermore, in light of strong market demand for fund raising for post-quake reconstruction, TSE will facilitate the listing of ETFs, real estate investment trusts (REITs), and new products related to recovery efforts.

Self-Regulatory Activities

The TSE group conducts the self-regulatory operations necessary for maintaining fairness and credibility in the market through Tokyo Stock Exchange Regulation (TSE Regulation), a subsidiary of Tokyo Stock Exchange Group, Inc., and makes constant efforts to ensure the quality of the TSE market. TSE Regulation collaborates with a wide range of parties which include regulatory authorities, other self-regulatory organizations, listed companies and trading participants in order to build markets where investors can participate with steadfast confidence.

Overview

In the TSE group, self-regulatory activities such as listing examination, ensuring appropriate timely disclosure, as well as market surveillance to prevent insider trading and other unfair transactions are conducted by TSE Regulation for developing a fair and equitable Tokyo market where everyone can invest with steadfast confidence. The TSE group is unique in that it performs self-regulatory functions. Taking advantage of such a feature, it makes efforts to maintain an attractive market underpinned by usability and credibility of the highest global standard.

With rapidly developing IT, trading methods have become more complex and investment products have become more diverse. The market environment surrounding TSE is also experiencing great change. We have enhanced our market infrastructure by launching “arrowhead” and “Tdex+ System”, new trading platforms for cash products and options, respectively, as investors utilizing new trading techniques, such as high-frequency trading and algorithmic trading, expand their market share. In order to conduct appropriate market surveillance and monitoring in response to such changes in the market environment, the TSE group is enhancing the functions of its market surveillance and monitoring systems to strengthen surveillance to prevent unfair transactions such as market manipulation and insider trading.

Furthermore, the types of companies applying for a listing are becoming more diverse. In addition to the growing range of corporate activities possible due to a more flexible regulatory regime, we see the emergence of

growth companies and ventures with new business models in Asia. In response to such developments, TSE Regulation is making efforts to refine its listing examinations and ensure appropriate timely disclosure.

Future Initiatives

The TSE group will continue to take a proactive stance on ensuring market credibility so as to fulfill self-regulatory functions by appropriately responding to a variety of issues in an evolving environment as laid out in the new medium-term management plan.

Specifically, we will further reinforce the functions of our market surveillance systems so as to establish a stringent monitoring and surveillance framework, while providing trading participants, listed companies and other market participants with support to enhance compliance with rules and regulations. In addition, the TSE group will endeavor to raise awareness of and prevent corporate actions which undermine listed company shareholder rights such as allotments of shares to third parties (similar to private placements). In order to raise the effectiveness of its self-regulatory activities, TSE Regulation will deepen collaboration with parties including regulatory authorities, other self-regulatory bodies, listed companies, trading participants, attorneys-at-law, and accountants.

Crisis Management Efforts

The TSE group continued to provide a stable trading environment throughout the Great East Japan Earthquake. As the operator of an exchange at the core of the capital market, the TSE group works to maintain robust exchange systems, a business continuity plan (BCP) and other systems and frameworks that allow us to provide stable and uninterrupted market functions even in unforeseen circumstances.

Response to the Great East Japan Earthquake

When the Great East Japan Earthquake occurred on March 11, 2011, the TSE group continued to provide a venue for regular trading. The TSE group has constantly worked to prepare for such situations by having advanced and secure exchange systems that meet the world's highest standards. The TSE group has developed a business continuity plan (BCP) and conducted operational drills based on it, all of which functioned effectively and proved their worth in the recent crisis. In addition, the TSE group has mechanisms in place to moderate stock price

volatility, such as “special quotes” and “daily price limits”. These mechanisms functioned as a safety net protecting investors who continued to trade in the immediate aftermath of the earthquake and enabled the TSE group to ensure a high level of market stability and reliability.

The TSE group will use the lessons learned from this crisis in formulating policies that support its role as a part of the critical social infrastructure of the capital market economy to allow both domestic and overseas investors to trade Japanese equities with steadfast confidence at all times.

Robust Exchange Systems

As critical social infrastructure, exchange systems must possess an extremely high level of robustness to ensure uninterrupted trading. TSE therefore implements measures to enhance the robustness of its trading systems and networks.

For trading systems, in addition to a primary data center, TSE has a secondary data center in a location that enables it to avoid being damaged at the same time. If the primary data center were to be affected by a

disaster, TSE will swiftly switch operations over to the secondary data center in order to resume trading as quickly as possible.

The “arrownet” network has an optical fiber ring of redundant circuits buried deep underground. Therefore, it will not incur damage from disasters such as a large-scale earthquake. As such, the system is designed to immediately switch to back-up lines in the event of a malfunction.



Overview of TSE group's BCP

The TSE group has compiled a BCP which includes a basic policy, system, and procedures for business continuity in the event where various risks arise and it becomes difficult to continue normal operations. The BCP aims to minimize the impact of emergencies on trading participants, listed companies, investors and other stakeholders, and enhance the reliability of the Tokyo market.

At the core of the TSE group's BCP is a contingency plan. This defines the basic response for maintaining trading when normal operations in the TSE market become difficult due to a system failure at the TSE group or external institutions, a natural disaster including an earthquake, wind or flood damage, a terrorist attack, or a breakdown of the social infrastructure. In addition to cases of a major malfunction occurring in the TSE systems, the TSE group also has laid out conditions in which trading will be halted in order to ensure fair price formation. These cases include where trading participants occupying more than 20% of trading are unable to participate in the market, or where information

dissemination becomes difficult for stocks whose market capitalization exceeds 20% of the total market.

With regard to business continuity based on the BCP, the basic policy of the TSE group is to continue operations to the greatest extent possible, and, in the event that it is forced to suspend operations, it aims to resume operations as soon as possible. Moreover, even in the event where an emergency such as a large-scale earthquake occurs and has an enormous impact on business continuity, the TSE group aims to resume necessary operations within 24 hours of such an event in order to avoid a full day suspension if at all possible.

The TSE group has also defined detailed systemic preparations in the BCP, such as identifying types of foreseeable risks and formulating respective countermeasures when they happen, establishing and staffing a BCP headquarters, and securing communication means. The TSE group will constantly revise its BCP according to new risks and changes in the environment, thereby creating systems and frameworks that enable smooth business continuity in contingency situations.

Board of Directors (As of June 21, 2011)

Tokyo Stock Exchange Group, Inc.

Board of Directors



Atsushi Saito
President & CEO



Hiroyuki Iwakuma
Senior Executive Vice
President & COO



Tsuguoki Fujinuma
CPA
Professor, Chuo University
Graduate School of
Strategic Management



Masakazu Hayashi
President
Tokyo Stock Exchange
Regulation



Masayuki Hirose
Audit Mission Director



Katsuhiko Honda
Corporate Counselor
Japan Tobacco Inc.



Eiko Kono
Ex-President
Recruit Co., LTD.



Hideaki Kubori
Attorney-at-law

Nomination Committee

◎ Atsushi Saito
Hideaki Kubori
Hiroshi Okuda

Audit Committee

◎ Takashi Moriya
Masayuki Hirose
Kunihiro Matsuo
Atsushi Shimizu

Compensation Committee

◎ Katsuhiko Honda
Charles Ditmars Lake II
Atsushi Saito

◎: Indicates the committee chairman

Executive Officers

Atsushi Saito
President & CEO

Hiroyuki Iwakuma
Senior Executive Vice President & COO

Yoshinori Suzuki
Executive Vice President & CIO

Tomoyoshi Uranishi
Senior Executive Officer

Koichiro Miyahara
Senior Executive Officer

Norio Iwasaki
Executive Officer & CFO



Paul Kuo
CEO & President,
Credit Suisse Securities
(Japan) Limited



**Charles Ditmars
Lake II**
Representative and
Chairman
Aflac Japan



Oki Matsumoto
Representative Director,
Chairman & CEO
Monex Group, Inc.



Kunihiro Matsuo
Attorney-at-law



Takashi Moriya
Standing Outside Statutory
Auditor
Tokyo Stock Exchange, Inc.



Hiroshi Okuda
Senior Advisor,
Toyota Motor Corporation



Atsushi Shimizu
Attorney-at-law

Tokyo Stock Exchange, Inc.

Board of Directors

Atsushi Saito
President & CEO

Hiroyuki Iwakuma
Representative Senior Managing
Director & COO

Yoshinori Suzuki
Senior Managing Director & CIO

Hironaga Miyama
Managing Director

Katsuhiko Honda

Eiko Kono

Paul Kuo

Charles Ditmars Lake II

Oki Matsumoto

Hiroshi Okuda

Auditors

Standing Outside Statutory Auditor
Takashi Moriya

Statutory Auditors
Masayuki Hirose

Kunihiro Matsuo

Atsushi Shimizu

Executive Officers

Atsushi Saito
President & CEO

Hiroyuki Iwakuma
Representative Senior Managing
Director & COO

Yoshinori Suzuki
Senior Managing Director & CIO

Hironaga Miyama
Managing Director

Kiyoyuki Tsuchimoto
Senior Executive Officer

Masaki Shizuka
Senior Executive Officer

Moriyuki Iwanaga
Executive Officer

Yasuhiro Yoshida
Executive Officer

Yasuyuki Konuma
Executive Officer

Ryusuke Yokoyama
Executive Officer

Tokyo Stock Exchange Regulation

Board of Governors

Masakazu Hayashi
President

Taro Takeda
Standing Governor

Makoto Minoguchi
Standing Governor

Tsuguoki Fujinuma

Hideaki Kubori

Auditors

Standing Auditor
Kenji Sato

Auditor
Takashi Moriya

Corporate Governance

Integrated Operation of Markets by Three Companies

In November 2007, the Tokyo Stock Exchange and its subsidiaries adopted a structure whereby Tokyo Stock Exchange Group, Inc. (the “TSE Group”) serves as the holding company for Tokyo Stock Exchange, Inc. (“TSE”), which operates the markets, and Tokyo Stock Exchange Regulation (“TSE Regulation”), which conducts the self-regulatory activities of listing examination, listed company supervision, participant inspection and market surveillance.

Self-regulatory activities are an essential function of a stock exchange. TSE ensures the independence of its self-regulatory activities by delegating them to TSE Regulation, which also gives the TSE group, as a whole, flexibility and freedom in executing its business strategy.

Within this structure, the three companies of the TSE group constantly work together in the operation of the securities market, guided by a common corporate philosophy of striving to create a sound market with a high level of reliability and convenience.

A Stronger Management Structure

Through fulfilling its mission of becoming a vital element of public infrastructure as the central securities market of Japan, the TSE group strives to secure stable income while maintaining a balance between its public nature and profitability.

Basic Policy on Corporate Governance

The TSE group provides markets with a high level of liquidity and reliability based on the following policies.

- Increase management transparency by clarifying the authority and responsibilities of each corporate body, and exercising accountability.
- Establish a structure to reflect the opinions of a wide variety of stakeholders, including investors, in the management and operation of the market.
- Fulfill appropriate self-regulatory functions by ensuring impartial decision-making independent from the influence of particular stakeholders.

Corporate Governance Structure

The TSE Group, the holding company, employs a committee system, separating management surveillance and supervision of business execution using the following structure in order to enhance these functions and increase management transparency.

Board of Directors

The Board of Directors is responsible for overseeing management and consists of up to 16 members. It makes decisions on the basic policy and important issues concerning management, and also oversees the business activities of executive officers in accordance with those decisions.

A majority of the directors are appointed from outside the company in order to increase the transparency and accountability of management, and enhance supervision of the adequacy of business execution.

Board of Executive Officers

The Board of Executive Officers is composed of all six executive officers. It discusses important issues relevant to business execution from among those that are to be discussed in meetings of the Board of Directors as well as those the Board of Directors has delegated by its resolutions to the president and chief executive officer.

Nomination Committee

The Nomination Committee comprises three directors, including two outside directors. It decides on proposals regarding the election and dismissal of directors to be submitted at the General Meeting of Shareholders.

Audit Committee

The Audit Committee comprises four directors, including three outside directors. It conducts efficient audits and the like by monitoring and verifying the structure and operation of the internal control system in close collaboration with accounting auditors, the internal audit division, auditors of subsidiary companies and others.

Compensation Committee

The Compensation Committee comprises three directors, including two outside directors. It determines the compensation and other remuneration for individual directors and executive officers.

President’s Advisory Committee

The TSE Group established the President’s Advisory Committee as a forum to exchange a wide range of opinions about the TSE group and the securities market in general. Members of this committee include academics and representatives of listed companies.

State of Corporate Governance at Subsidiaries

Tokyo Stock Exchange, Inc. (Market operator)

TSE currently employs an auditor system. The Statutory Auditors Board is composed of four individuals, including one standing statutory auditor and three outside auditors. TSE has enhanced its auditor structure in ways such as requiring the Board to meet at least once a month in principle. In addition, TSE has assigned the Auditors Office as support staff for the Statutory Auditors Board.

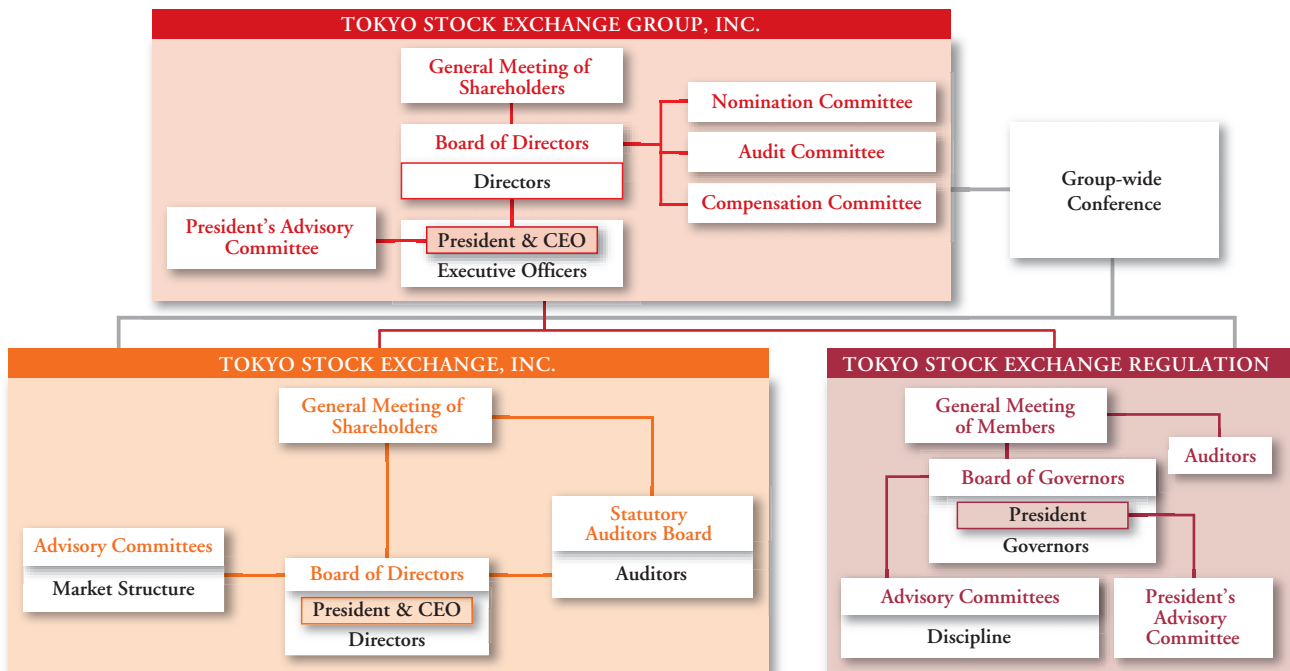
The statutory auditors attend significant meetings, including those of the Board of Directors and Committee of Executive Officers, and conduct audits focused on the

legitimacy of operations. They also strive to increase effectiveness of accounting and operational audits in cooperation with accounting auditors, the Auditors Office, and the statutory auditors of TSE’s subsidiaries.

Tokyo Stock Exchange Regulation (Self-regulatory organization)

TSE Regulation was established to perform the self-regulatory activities delegated by TSE. It is a non-profit membership organization as set forth in the Financial Instruments and Exchange Act, with its membership composed of equity contributors. Decisions on important self-regulatory activities are made by the Board of Governors. Measures to enhance the independence of the Board of Governors from the stock exchange include selecting governors so that the majority has no interests in the stock exchange, listed companies or similar institutions, and valuing opinions of these highly independent outside governors in resolutions.

Corporate Governance Structure of the TSE group



Review of Operations and Finances

Operating Results

Operating Revenues

For Tokyo Stock Exchange Group, Inc. and its consolidated subsidiaries (the “TSE group”), **trading participation fees** comprise “Basic Fees” based on the types of the trading participant’s trading qualification; “Transaction Fees” based on the value of securities traded or volume of derivatives traded; “Access Fees” based on the number of orders; and “Trading System Facilities Usage Fees” based on the types of trading system facilities used. Trading participation fees in the fiscal year ended March 2011 declined 1.0% to ¥21,517 million due to trading value remaining at around the same level as in the previous fiscal year.

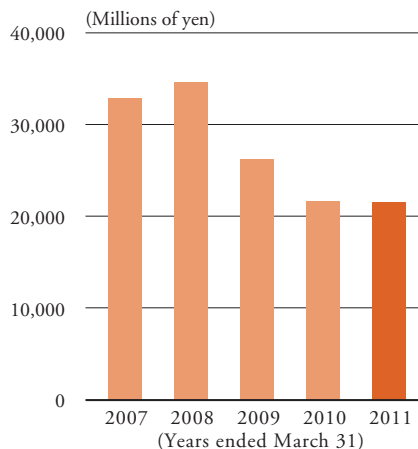
Listing fees comprise “Initial/Additional Listing Fees” received based on the issuance amount when a company is newly listed or when a listed company issues additional shares; and “Annual Listing Fees” received from listed companies based on their market capitalization. Due to a decrease in the scale of fund-raising by listed companies in comparison with the previous fiscal year, listing fees in the fiscal year ended March 2011 fell 25.7% year on year to ¥9,862 million.

Income from information services is comprised of income from the provision of various market information including corporate actions, primarily consisting of fees for market information provided to information vendors (market information fees), and also income from the index business. During the fiscal year ended March 2011, income from information services increased 3.2% to ¥11,072 million due to enhanced real-time services for terminals coinciding with the launch of “arrowhead”.

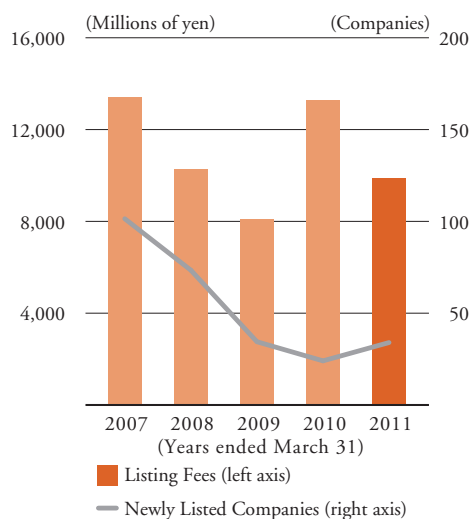
Income from securities settlement is derived from clearing and settlement fees based on the trading value of stocks or trading volume of derivatives for which clearing is performed by Japan Securities Clearing Corporation (“JSCC”). During the fiscal year ended March 2011, income from securities settlement increased 2.2% to ¥7,408 million.

Other operating income consists of “arrownet Usage Fees”, “Co-location Usage Fees”, “Proximity Usage Fees”, and fees for system development and operations and lease transactions provided by TOSHO SYSTEM SERVICE CO., LTD. “arrownet Usage Fees” are the charge for the use of the network connecting TSE systems, such as trading systems and market information systems, and users such as trading participants. “Co-location Usage Fees” are fees for using the service which allows trading participants to place their devices within the TSE data center for the purpose of high speed trade execution. “Proximity Usage Fees” are fees for using the proximity service which provides a balanced connectivity solution for both domestic and Asian markets, and can be used by trading participants as well as market-related parties, such as information vendors. Other

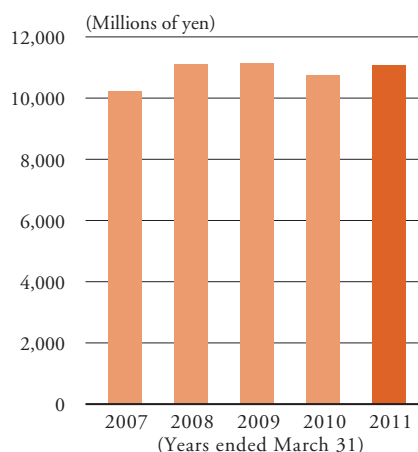
Trading Participation Fees



Listing Fees and Newly Listed Companies



Income from Information Services



operating income for the fiscal year ended March 2011 declined 5.9% to ¥7,239 million due to reduced revenue from lease transactions by TOSHO SYSTEM SERVICE CO., LTD.

Operating Expenses

Salaries and compensation decreased 2.4% compared with the previous fiscal year to ¥11,535 million.

Real estate rental fees, which include rental fees for the Tokyo Stock Exchange building and systems development and operational facilities, decreased 5.1% year on year to ¥5,736 million due to the reorganization of system development and operations with the launch of “arrowhead”.

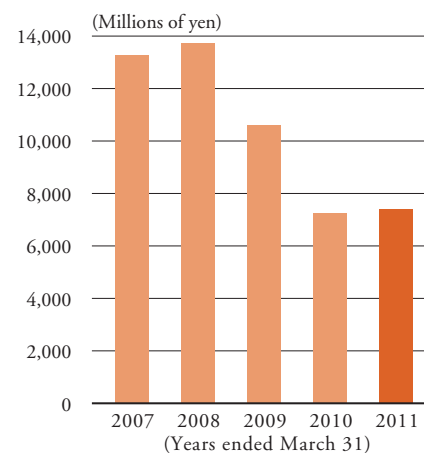
System maintenance and operation costs, which include maintenance and operation costs associated with trading, clearing and other systems, decreased 23.8% year on year to ¥6,298 million, resulting from reduced support costs in connection with system development following the launch of “arrowhead”.

Depreciation expenses decreased 3.9% compared with the previous fiscal year to ¥10,334 million reflecting the depreciation in value of the various systems.

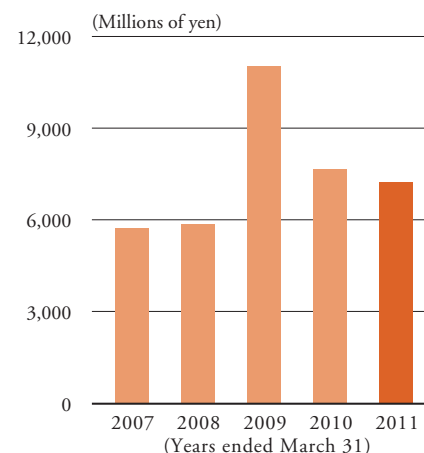
Other operating expenses increased 7.2% compared with the previous fiscal year to ¥9,599 million.

As a result, **operating revenues** for the fiscal year ended March 2011 decreased 5.9% year on year to ¥57,098 million, **operating expenses** decreased 5.1% year on year to ¥43,502 million, and **operating profit** decreased 8.3% year on year to ¥13,596 million. However, income before taxes and minority interests increased a substantial 479.8% from the previous fiscal year to ¥15,121 million. This is due to a non-recurring loss on litigation of ¥13,213 million in the previous fiscal year related to compensation for damages to Mizuho Securities Co., Ltd. As a result, net income after income taxes for the fiscal year ended March 2011 totaled ¥8,879 million.

Income from Securities Settlement



Other Operating Income



Millions of yen

Years ended March 31	2011	2010	2009	2008	2007
Operating revenues					
Trading participation fees	21,517	21,728	26,205	34,551	32,826
Listing fees	9,862	13,272	8,073	10,267	13,370
Income from information services.....	11,072	10,727	11,140	11,101	10,239
Income from securities settlement.....	7,408	7,247	10,612	13,718	13,288
Other operating income.....	7,239	7,692	11,060	5,868	5,755
Total operating revenues	57,098	60,666	67,090	75,505	75,478
Operating expenses					
Salaries and compensation	11,535	11,814	11,893	12,152	11,352
Real estate rental fees.....	5,736	6,047	6,486	6,204	5,932
System maintenance and operation costs.....	6,298	8,269	8,711	9,252	7,648
Depreciation	10,334	10,755	9,603	8,266	7,444
Other operating expenses.....	9,599	8,956	16,222	10,844	10,086
Total operating expenses	43,502	45,841	52,915	46,718	42,462
Operating profit.....	13,596	14,825	14,175	28,787	33,016
Income (loss) before income taxes and minority interests	15,121	2,608	(5,851)	30,582	34,407
Net income (loss).....	8,879	(3,602)	(3,696)	17,701	19,985

Financial Condition

Assets

The assets of the TSE group include funds and deposits called specified assets. Specified assets consist of the following five line items: To ensure the safety of the settlement process, JSCC records margin funds for derivatives and when-issued transactions, deposits for clearing funds, and deposits as collateral for facilitating settlement received from trading participants who are also clearing participants of JSCC; and Tokyo Stock Exchange, Inc. records legal guarantee funds received from trading participants as both assets and liabilities, and special assets for default compensation reserve funds are recorded as both assets and retained earnings. **Total assets** as of March 31, 2011 increased ¥123,330 million from that at the end of the previous fiscal year to ¥514,405 million. This change consisted mainly of an increase in specified assets included in total assets from ¥254,490 million to ¥369,080 million.

Liabilities and Equity

Total liabilities as of March 31, 2011 increased ¥115,489 million from a year earlier to ¥389,623 million, primarily due to an increase in funds and deposits included in liabilities. Total liabilities include several funds and deposits under the line items: margin funds received for derivatives and when-issued transactions, deposits received for clearing funds, deposits received as collateral for facilitating settlement, and returnable legal guarantee funds. These correspond to the funds and deposits included in total assets, which are the specified assets discussed above. As was the case with the corresponding specified assets, the total of these funds and deposits increased ¥237,122 million from a year earlier to ¥351,712 million.

Total equity increased ¥7,841 million year on year to ¥124,782 million. Total equity includes ¥17,368 million included in special assets for default compensation reserve funds. Total liabilities after deducting the funds and deposits corresponding to the specified assets amounted to ¥37,911 million. Total equity after deducting special assets for default compensation reserve funds amounted to ¥107,414 million. The equity capital ratio, calculated as total equity less minority interests divided by total assets, was 71.9%, and net assets per share totaled ¥45,968.53.

Total liabilities after deducting the funds and deposits corresponding to the specified assets amounted to ¥37,012 million. Total equity after deducting special assets for default compensation reserve funds amounted to ¥99,573 million. The equity capital ratio, calculated as total equity less minority interests divided by total assets, was 70.7%, and net assets per share totaled ¥42,447.39.

*** Default compensation reserve funds**

TSE has an indemnity agreement with JSCC with regard to clearing operations for cash, futures and options transactions. In the event that JSCC suffers a loss caused by a clearing participant's default and the loss is not fully covered by the defaulting participant's deposit with JSCC, TSE (with other domestic exchanges) will compensate for the remaining loss up to the obligation amount set forth in the agreement. Therefore, TSE maintains "default compensation reserve funds", which correspond to the predetermined obligation amount, designed solely for the purpose of the abovementioned compensation. The amount of funds were recorded as at the time of demutualization of TSE from a membership organization in November 2001, and succeeds the role of funds that TSE had originally collected from member securities firms and kept in reserve for compensation in the event of a member's default. See Notes 5 and 13 to the Consolidated Financial Statements.

Cash Flows

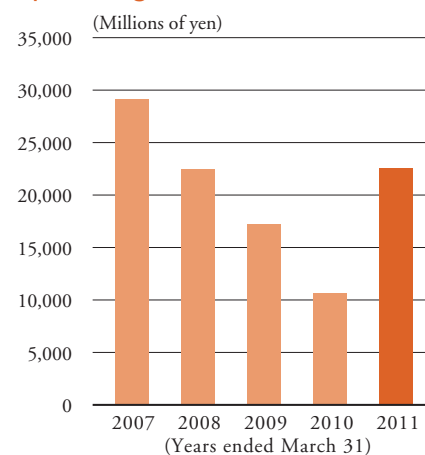
Cash flow from operating activities totaled an inflow of ¥22,497 million, after including income before taxes and minority interests of ¥15,121 million and depreciation totaling ¥10,391 million, as well as deducting income taxes paid totaling ¥2,510 million.

Cash flow from investing activities totaled an outflow of ¥20,406 million, after including proceeds from withdrawal of time deposits totaling ¥47,680 million, as well as deducting expenses due to acquisition of time deposits totaling ¥61,760 million, acquisition of investments in securities totaling ¥3,384 million, and acquisition of intangible assets totaling ¥3,914 million.

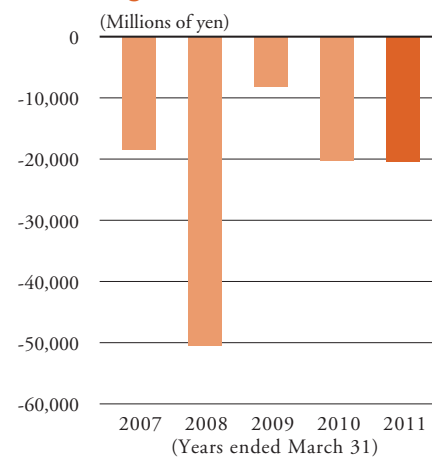
Cash flow from financing activities totaled an outflow of ¥686 million, including dividend payments of ¥682 million.

As a result, **cash and cash equivalents at the end of the year** increased ¥1,409 million from the beginning of the fiscal year to ¥29,102 million.

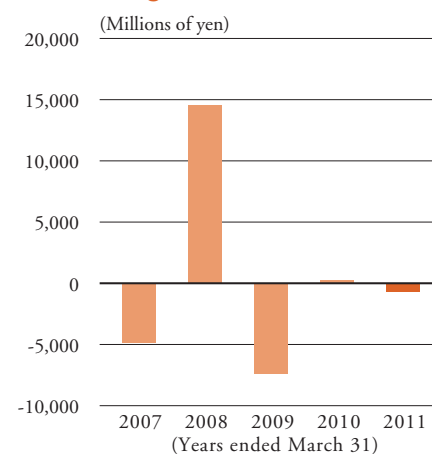
Operating Activities



Investing Activities



Financing Activities



Consolidated Balance Sheets

Tokyo Stock Exchange Group, Inc. and Subsidiaries

March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT ASSETS:			
Cash and bank deposits (Notes 3, 5 and 13)	¥ 61,102	¥ 45,613	\$ 734,836
Marketable securities (Notes 3, 4 and 5)		2,000	
Accounts receivable—trade (Note 5).....	4,940	4,661	59,413
Lease payment receivables.....		18	
Inventories.....	253	63	3,044
Margin funds for derivatives and when-issued transactions (Notes 5 and 13)	246,911	136,333	2,969,459
Deposits for clearing funds (Notes 5 and 13)	81,967	87,443	985,774
Deposits as collateral for facilitating settlement (Notes 5 and 13)	22,510	13,011	270,716
Deferred tax assets (Note 7).....	913	2,980	10,983
Other current assets.....	2,045	2,344	24,602
Allowance for doubtful accounts.....	(12)	(3)	(145)
Total current assets	420,629	294,463	5,058,682
PROPERTY AND EQUIPMENT:			
Land.....	2,399	2,399	28,857
Buildings and structures	5,770	5,676	69,395
Other property and equipment (Note 10).....	17,102	19,256	205,677
Construction in progress	14	18	164
Total property and equipment.....	25,285	27,349	304,093
Accumulated depreciation	(17,287)	(17,794)	(207,901)
Net property and equipment.....	7,998	9,555	96,192
INTANGIBLE ASSETS—Other intangible assets	23,373	27,189	281,095
Net intangible assets	23,373	27,189	281,095
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 4 and 5)	28,090	26,812	337,819
Investments in affiliated companies (Note 4)	7,416	5,532	89,183
Long-term loans.....	21	23	252
Legal guarantee funds (Notes 5 and 13).....	325	335	3,909
Special assets for default compensation reserve funds (Notes 5 and 13).....	17,368	17,368	208,873
Deferred tax assets (Note 7).....	398	417	4,789
Others (Note 8)	8,972	9,570	107,907
Allowance for doubtful accounts.....	(185)	(189)	(2,224)
Total investments and other assets.....	62,405	59,868	750,508
TOTAL	¥514,405	¥391,075	\$6,186,477

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT LIABILITIES:			
Short-term bank loans (Note 6).....	¥ 17,570	¥ 17,570	\$ 211,305
Accounts payable—trade.....	2,196	2,241	26,410
Current portion of long-term lease obligations.....		18	
Income taxes payable.....	3,133	1,944	37,675
Accrued bonuses.....	1,014	1,045	12,195
Accrued bonuses to directors.....	293	53	3,521
Margin funds received for derivatives and when-issued transactions (Notes 5 and 13)...	246,911	136,333	2,969,459
Deposits received for clearing funds (Notes 5 and 13).....	81,967	87,443	985,774
Deposits received as collateral for facilitating settlement (Notes 5 and 13).....	22,510	13,011	270,716
Deposits received as trading participant security money (Notes 5 and 13).....	3,112	3,763	37,427
Other current liabilities.....	1,722	1,745	20,718
Total current liabilities.....	380,428	265,166	4,575,200
NON-CURRENT LIABILITIES:			
Long-term lease obligations.....		24	
Liability for retirement benefits for employees (Note 8).....	5,341	5,282	64,229
Returnable legal guarantee funds (Note 13).....	325	335	3,909
Deferred tax liabilities (Note 7).....	3,097	2,897	37,243
Other.....	432	430	5,209
Total non-current liabilities.....	9,195	8,968	110,590
Total liabilities.....	389,623	274,134	4,685,790
COMMITMENT AND CONTINGENT LIABILITIES (Notes 12 and 13)			
EQUITY (Notes 9 and 18):			
Common stock—authorized, 9,200,000 shares at March 31, 2011 and 2010; issued 2,300,000 shares at March 31, 2011 and 2010.....	11,500	11,500	138,304
Capital surplus.....	25,359	25,359	304,977
Retained earnings.....	83,622	75,425	1,005,676
Treasury stock—at cost, 26,260 shares at March 31, 2011 and 2010.....	(4,333)	(4,333)	(52,109)
Total shareholders' equity.....	116,148	107,951	1,396,848
Accumulated other comprehensive income—unrealized gain			
on available-for-sale securities.....	5,740	5,931	69,037
Total.....	5,740	5,931	69,037
Minority interests	2,894	3,059	34,802
Total equity.....	124,782	116,941	1,500,687
TOTAL	¥14,405	¥391,075	\$6,186,477

Consolidated Statements of Operations

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING REVENUES:			
Trading participation fees	¥21,517	¥ 21,728	\$258,770
Listing fees	9,862	13,272	118,610
Income from information services.....	11,072	10,727	133,156
Income from securities settlement.....	7,408	7,247	89,090
Other operating income	7,239	7,692	87,055
Total operating revenues	57,098	60,666	686,681
OPERATING EXPENSES (Notes 8 and 14)			
Operating profit	43,502	45,841	523,169
	13,596	14,825	163,512
OTHER INCOME (EXPENSES):			
Interest income	141	164	1,695
Dividend income	922	896	11,090
Equity in earnings of affiliated companies.....	321	915	3,864
Subsidy income.....	246	221	2,964
Gain from prior period adjustment.....	143		1,716
Gain on reversal of allowance for loss on real estate rental contract.....		912	
Interest expense.....	(59)	(68)	(706)
Rent expense		(32)	
Impairment loss (Note 15)	(54)		(650)
Loss on disposal of property and equipment and intangible assets (Note 16).....	(223)	(34)	(2,678)
Special depreciation of property and equipment and intangible assets.....	(39)	(2,503)	(469)
Loss on litigation (Note 12).....		(13,213)	
Other—net	127	525	1,520
Other income (expenses)—net	1,525	(12,217)	18,346
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS			
	15,121	2,608	181,858
INCOME TAXES (Note 7):			
Current	3,989	2,523	47,968
Deferred	2,414	3,925	29,036
Total income taxes	6,403	6,448	77,004
NET INCOME (LOSS) BEFORE MINORITY INTERESTS			
	8,718	(3,840)	104,854
MINORITY INTERESTS IN NET INCOME			
	161	238	1,930
NET INCOME (LOSS)			
	¥ 8,879	¥ (3,602)	\$106,784

	Yen		U.S. Dollars
	2011	2010	2011
PER SHARE OF COMMON STOCK (Notes 2.r and 17):			
Basic net income (loss)	¥3,905.07	¥(1,584.27)	\$46.96
Cash dividends applicable to the year.....	1,200.00	300.00	14.43

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥8,718	\$104,854
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17)		
Unrealized gain on available-for-sale securities	(191)	(2,294)
Total other comprehensive income (loss)	(191)	(2,294)
COMPREHENSIVE INCOME (Note 17)	¥8,527	\$102,560
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):		
Owners of the parent.....	¥8,688	\$104,490
Minority interests.....	(161)	(1,930)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen							
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Minority Interests	Total Equity
						Unrealized Gain (Loss) on Available-for-Sale Securities		
BALANCE, APRIL 1, 2009	2,300,000	¥11,500	¥25,359	¥79,710	¥(4,333)	¥ (563)	¥2,416	¥114,089
Net loss.....				(3,602)				(3,602)
Cash dividends paid (¥300 per share).....				(682)				(682)
Change of scope of consolidation				(1)				(1)
Other changes.....						6,494	643	7,137
BALANCE, MARCH 31, 2010	2,300,000	11,500	25,359	75,425	(4,333)	5,931	3,059	116,941
Net income.....				8,879				8,879
Cash dividends paid (¥300 per share).....				(682)				(682)
Other changes.....						(191)	(165)	(356)
BALANCE, MARCH 31, 2011	2,300,000	¥11,500	¥25,359	¥83,622	¥(4,333)	¥5,740	¥2,894	¥124,782

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Minority Interests	Total Equity	
					Unrealized Gain (Loss) on Available-for-Sale Securities			
BALANCE, MARCH 31, 2010	\$138,304	\$304,977	\$ 907,096	\$(52,109)	\$71,331	\$36,786	\$1,406,385	
Net income.....			106,784				106,784	
Cash dividends paid (\$3.61 per share).....			(8,204)				(8,204)	
Other changes.....					(2,294)	(1,984)	(4,278)	
BALANCE, MARCH 31, 2011	\$138,304	\$304,977	\$1,005,676	\$(52,109)	\$69,037	\$34,802	\$1,500,687	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 15,121	¥ 2,608	\$ 181,858
Depreciation	10,391	13,274	124,969
Impairment loss	54		650
Loss on disposal of property and equipment and intangible assets	223	34	2,678
Increase (decrease) in allowance for doubtful accounts	4	(12)	53
Increase (decrease) in accrued bonuses	(31)	40	(374)
Increase in accrued bonuses to directors.....	239	43	2,879
Decrease in allowance for loss on real estate rental contract		(3,467)	
Increase (decrease) in liability for retirement benefits for employees.....	59	(61)	704
Equity in earnings of affiliated companies.....	(321)	(915)	(3,864)
Interest and dividend income	(1,063)	(1,060)	(12,785)
Interest expense.....	59	68	706
Loss on litigation.....		13,213	
Increase in accounts receivable.....	(279)	(121)	(3,354)
Increase in inventories	(190)	(23)	(2,286)
Decrease in accounts payable—trade	(45)	(550)	(537)
Other—net	(484)	(633)	(5,824)
Sub-total	23,737	22,438	285,473
Income taxes refunded (paid).....	(2,510)	354	(30,183)
Interest and dividends received.....	1,329	1,121	15,983
Payment for loss on litigation		(13,213)	
Interest paid.....	(59)	(68)	(708)
Net cash provided by operating activities.....	22,497	10,632	270,565
INVESTING ACTIVITIES:			
Acquisition of time deposits	(61,760)	(34,640)	(742,754)
Proceeds from withdrawal of time deposits	47,680	24,940	573,422
Acquisition of marketable securities	(500)	(3,898)	(6,011)
Proceeds from sale of marketable securities	2,500	5,200	30,066
Acquisition of investments in securities.....	(3,384)	(235)	(40,698)
Acquisition of property and equipment.....	(1,152)	(1,094)	(13,849)
Proceeds from sale of property and equipment.....	3	9	38
Acquisition of intangible assets	(3,914)	(10,694)	(47,072)
Others	121	73	1,444
Net cash used in investing activities.....	(20,406)	(20,339)	(245,414)
FINANCING ACTIVITIES:			
Dividends paid.....	(682)	(682)	(8,204)
Proceeds from stock issuance to minority shareholders		882	
Other.....	(4)	(2)	(53)
Net cash provided by (used in) financing activities	(686)	198	(8,257)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	4	3	45
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,409	(9,506)	16,939
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	27,693	37,199	333,050
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3).....	¥ 29,102	¥ 27,693	\$ 349,989

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Tokyo Stock Exchange Group, Inc. (the “TSE Group” or the “Company”) and its subsidiaries (the “Companies”) are prepared in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are prepared from the consolidated financial statements prepared as required by the Japanese Financial Instruments and Exchange Act and its related accounting regulations.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 17. In addition, “net income before minority interests” is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the TSE Group is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation—The consolidated financial statements as of March 31, 2011 include the accounts of the TSE Group and five subsidiaries listed below:

	Country of Incorporation	Direct and Indirect Ownership Percentage	Millions of Yen Paid-in Capital
Tokyo Stock Exchange, Inc.	Japan	100.0%	¥11,500
Tokyo Stock Exchange Regulation.....	Japan	100.0	3,000
TOSHO SYSTEM SERVICE CO., LTD.	Japan	80.0	100
Japan Securities Clearing Corporation	Japan	87.7	2,600
TOKYO AIM, Inc.	Japan	51.0	1,000

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in four (three in 2010) affiliated companies are accounted for by the equity method.

Investment in the remaining affiliated company is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

All subsidiaries use a fiscal year-end of March 31 of each year, which is the same as that of the TSE Group.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. Unification of Accounting Policies Applied to Associated Companies for the Equity Method

—In March 2008, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments.” The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

c. Cash Equivalents

—Cash equivalents in the consolidated statements of cash flows are composed of bank deposits available on demand, and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

d. Marketable Securities and Investments in Securities

—Marketable securities and investments in securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, which is the average market value for the one-month period before the year-end, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available-for-sale securities, for which market value is not available, are valued at cost, with cost determined by the average method.

The Company does not have any trading securities.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or available-for-sale securities have declined significantly, and such impairment of the value is not deemed to be temporary, those securities are written down to the estimated fair value and the resulting losses are included in net income or loss for the period.

- e. **Inventories**—Work in process is stated at the lower of cost, on a specific identification basis, or net selling value.
- f. **Property and Equipment**—Property and equipment are stated at cost. Depreciation is computed using the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is used for the buildings (excluding facilities attached to the buildings) acquired on and after April 1, 1998 by Japan Securities Settlement & Custody, Inc.
- g. **Intangible Asset**—Software for internal use is amortized using the straight-line method over an estimated useful life, normally five years.
- h. **Long-Lived Assets**—The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- i. **Stock Issue Costs**—Stock issue costs are charged to income as incurred.
- j. **Allowance for Doubtful Accounts**—Allowance for doubtful accounts is provided against potential losses on collection. The amount is measured using a historical bad debt ratio, plus an amount specifically identified based on the doubt of collectibility of the accounts due to poor financial condition or insolvency.
- k. **Bonuses to Employees and Directors**—Bonuses to employees and directors are accrued at year-end at the amount expected to be paid.
- l. **Retirement Benefits**—Liability for retirement benefits for employees is provided based on estimated projected benefit obligations and pension plan assets at the fiscal year-end in order to cover required retirement benefits for eligible employees.

The excess of the estimated fair value of pension plan assets over the estimated present value of projected benefit obligations (adjusted by unrecognized actuarial differences) is recognized as prepaid pension expenses.

Tokyo Stock Exchange, Inc. (“TSE”) abolished the retirement benefit plan for directors on June 22, 2005 and the unpaid balance is included in non-current liabilities—other in the accompanying consolidated balance sheets.

- m. **Asset Retirement Obligations**—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Companies applied this accounting standard effective April 1, 2010. The effect of this change was not material.

- n. **Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

o. Accounting for Obligation Assumption—Obligations and credits that Japan Securities Clearing Corporation (“JSCC”) assumes and acquires in the securities obligation assumption business are accounted for at the time of settlement.

p. Income Taxes—Income taxes of the Companies consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Income taxes are determined using the asset and liability method, where deferred tax assets and liabilities are recognized for temporary differences between the tax base of assets and liabilities and their reported amounts in the financial statements.

q. Accounting for Consumption Taxes—Consumption taxes are imposed at a flat rate of 5% for all domestic consumption of goods and services with certain limited exemptions. Consumption taxes imposed on the Companies’ sales are withheld by the Companies at the time of sale and are subsequently paid to the government tax authority.

Consumption taxes withheld and consumption taxes paid by the Companies on the purchase of goods and services from vendors are not included in any amounts in the accompanying consolidated statements of operations.

r. Per Share Information—Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the year.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. CASH AND CASH EQUIVALENTS

The reconciliations between cash and cash equivalents in the consolidated statements of cash flows and cash and bank deposits in the consolidated balance sheets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and bank deposits	¥ 61,102	¥ 45,613	\$ 734,836
Marketable securities		2,000	
Time deposits with a maturity over three months	(32,000)	(17,920)	(384,847)
Held-to-maturity securities		(1,898)	
Others		(102)	
Cash and cash equivalents	¥ 29,102	¥ 27,693	\$ 349,989

4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

(1) Investments in securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term:			
Held-to-maturity securities		¥ 2,000	
Total		¥ 2,000	
Long-term:			
Held-to-maturity securities	¥ 1,600		\$ 19,239
Available-for-sale securities	26,490	¥26,812	318,580
Investments in affiliated companies	7,416	5,532	89,183
Total	¥35,506	¥32,344	\$427,002

(2) Held-to-maturity securities for which market values as of March 31, 2011 and 2010 are available as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains
March 31, 2011			
Held-to-maturity securities:			
Market value exceeds book value—government bonds and municipal bonds	¥1,600	¥1,604	¥4
Total	¥1,600	¥1,604	¥4

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains
March 31, 2010			
Held-to-maturity securities:			
Market value exceeds book value—government bonds and municipal bonds	¥1,100	¥1,106	¥6
Market value less than book value—government bonds and municipal bonds	900	900	
Total	¥2,000	¥2,006	¥6

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains
March 31, 2011			
Held-to-maturity securities:			
Market value exceeds book value—government bonds and municipal bonds	\$19,239	\$19,294	\$55
Total	\$19,239	\$19,294	\$55

(3) Available-for-sale securities for which market values as of March 31, 2011 and 2010 are available as follows:

March 31, 2011	Millions of Yen		
	Acquisition Cost	Carrying Amount	Unrealized Gains
Available-for-sale securities—			
Market value exceeds acquisition cost—			
stocks.....	¥16,712	¥26,391	¥9,679
Total.....	¥16,712	¥26,391	¥9,679

March 31, 2010	Millions of Yen		
	Acquisition Cost	Carrying Amount	Unrealized Gains
Available-for-sale securities—			
Market value exceeds acquisition cost—			
stocks.....	¥16,712	¥26,712	¥10,000
Total.....	¥16,712	¥26,712	¥10,000

March 31, 2011	Thousands of U.S. Dollars		
	Acquisition Cost	Carrying Amount	Unrealized Gains
Available-for-sale securities—			
Market value exceeds acquisition cost—			
stocks.....	\$200,986	\$317,387	\$116,401
Total.....	\$200,986	\$317,387	\$116,401

(4) Redemption schedules of held-to-maturity securities or available-for-sale securities with a maturity date as of March 31, 2011 are as follows:

March 31, 2011	Millions of Yen		Thousands of U.S. Dollars	
	Within 1 Year	Within 5 Years and Over 1 Year	Within 1 Year	Within 5 Years and Over 1 Year
Debt securities—				
Government bonds and municipal bonds.....		¥1,568		\$18,857

5. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Policy for financial instruments

The Companies limit investments to secure financial instruments and finance the investments, etc. through borrowings.

(2) Risk management for financial instruments

Receivables such as accounts receivables are exposed to customer credit risk. The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of finance condition of customers.

Marketable securities and investments in securities consist of government bonds for fund management and stocks held in relation to business alliance, etc. The Companies report to the board of directors on a regular basis on fair value of available-for-sale securities.

Margin funds for derivatives and when-issued transactions, deposits for clearing funds, deposits as collateral for facilitating settlement, legal guarantee funds, deposits received as trading participant security money, and special assets for default compensation reserve funds are assets and liabilities for hedging risks of securities trading. (See Note 13.)

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

(a) Fair values of financial instruments

March 31, 2011	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains
Cash and bank deposits.....	¥61,102	¥61,102	
Accounts receivable—trade.....	4,940	4,940	
Marketable securities and investments in securities:			
Held-to-maturity securities.....	1,600	1,604	¥4
Available-for-sale securities.....	26,391	26,391	
Margin funds for derivatives and when-issued transactions.....	246,911	246,911	
Deposits for clearing funds.....	81,967	81,967	
Deposits as collateral for facilitating settlement.....	22,510	22,510	
Legal guarantee funds.....	325	325	
Special assets for default compensation reserve funds.....	17,368	17,368	
Total.....	¥463,114	¥463,118	¥4
Margin funds received for derivatives and when-issued transactions.....	¥246,911	¥246,911	
Deposits received for clearing funds..	81,967	81,967	
Deposits received as collateral for facilitating settlement.....	22,510	22,510	
Deposits received as trading participant security money.....	3,112	3,112	
Total.....	¥354,500	¥354,500	

March 31, 2010	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains
Cash and bank deposits.....	¥ 45,613	¥ 45,613	
Accounts receivable—trade.....	4,661	4,661	
Marketable securities and investments in securities:			
Held-to-maturity securities	2,000	2,006	¥6
Available-for-sale securities.....	26,712	26,712	
Margin funds for derivatives and when-issued transactions.....	136,333	136,333	
Deposits for clearing funds.....	87,443	87,443	
Deposits as collateral for facilitating settlement.....	13,011	13,011	
Legal guarantee funds.....	335	335	
Special assets for default compensation reserve funds.....	17,368	17,368	
Total.....	¥333,476	¥333,482	¥6
Margin funds received for derivatives and when-issued transactions.....	¥136,333	¥136,333	
Deposits received for clearing funds..	87,443	87,443	
Deposits received as collateral for facilitating settlement.....	13,011	13,011	
Deposits received as trading participant security money.....	3,763	3,763	
Total.....	¥240,550	¥240,550	

March 31, 2011	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains
Cash and bank deposits.....	\$ 734,836	\$ 734,836	
Accounts receivable—trade.....	59,413	59,413	
Marketable securities and investments in securities:			
Held-to-maturity securities	19,239	19,294	\$55
Available-for-sale securities.....	317,387	317,387	
Margin funds for derivatives and when-issued transactions.....	2,969,459	2,969,459	
Deposits for clearing funds.....	985,774	985,774	
Deposits as collateral for facilitating settlement.....	270,716	270,716	
Legal guarantee funds.....	3,909	3,909	
Special assets for default compensation reserve funds.....	208,873	208,873	
Total.....	\$5,569,606	\$5,569,661	\$55
Margin funds received for derivatives and when-issued transactions.....	\$2,969,459	\$2,969,459	
Deposits received for clearing funds..	985,774	985,774	
Deposits received as collateral for facilitating settlement.....	270,716	270,716	
Deposits received as trading participant security money.....	37,427	37,427	
Total.....	\$4,263,376	\$4,263,376	

Cash and bank deposits

The carrying values of cash and bank deposits approximate fair value because of their short maturities.

Accounts receivable—trade

The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

Marketable securities and investments in securities

The fair values of marketable securities and investments in securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from Japan Securities Dealers Association for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 4.

Assets and liabilities for hedging risks of securities trading

The carrying values of assets and liabilities for hedging risks of securities trading approximate fair value.

(b) Financial instruments whose fair value cannot be reliably determined

March 31, 2011	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market.....	¥7,515	\$90,376
Returnable legal guarantee funds.....	325	3,909

(4) Redemption schedule of cash and bank deposits, accounts receivable—trade, and held-to-maturity securities as of March 31, 2011 are as follows:

March 31, 2011	Millions of Yen		Thousands of U.S. Dollars	
	Due in 1 Year or Less	Due after 1 Year	Due in 1 Year or Less	Due after 1 Year
Cash and bank deposits	¥61,102		\$734,836	
Accounts receivable—trade.....	4,940		59,413	
Marketable securities and investments in securities—Held-to-maturity securities...		¥1,568		\$18,857
Total.....	¥66,042	¥1,568	\$794,249	\$18,857

6. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2011 and 2010 consisted of borrowings from banks. The annual interest rate applicable to the short-term bank loans was 0.3% and 0.4% at March 31, 2011 and 2010, respectively.

7. INCOME TAXES

The Companies are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2010.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Liability for retirement benefits for employees	¥ 1,023	¥ 1,327	\$ 12,304
Accrued bonuses	407	422	4,897
Allowance for doubtful accounts.....	22	18	261
Depreciation and amortization..	31	67	376
Unrealized gain on fixed assets...	110	136	1,321
Accrued enterprise tax	265	197	3,188
Tax loss carryforwards	415	2,391	4,994
Loss on litigation	5,376	5,376	64,659
Others.....	642	337	7,705
Sub-total.....	8,291	10,271	99,705
Less—valuation allowance.....	(6,127)	(5,702)	(73,686)
Total deferred tax assets	2,164	4,569	26,019
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(3,938)	(4,069)	(47,363)
Others.....	(11)		(128)
Total deferred tax liabilities	(3,949)	(4,069)	(47,491)
Net deferred tax assets (liabilities)	¥(1,785)	¥ 500	\$ (21,472)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2010 is as follows:

March 31, 2010	
Normal effective statutory tax rate.....	40.7%
Expenses not deductible for income tax purpose.....	2.0
Equity in earnings of affiliated companies	(14.3)
Valuation allowances	218.6
Others.....	0.3
Actual effective tax rate.....	247.3%

As the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2011 is less than 5% of the statutory tax rate, the reconciliation is omitted.

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,026 million (\$12,344 thousand) which are

available for offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017.....	¥ 28	\$ 351
2018.....	546	6,562
2019.....	452	5,431

8. LIABILITY FOR RETIREMENT BENEFITS FOR EMPLOYEES

The TSE Group and a subsidiary have non-contributory defined benefit pension plans that are tax qualified plans and an unfunded lump-sum retirement benefit plan.

The liability for retirement benefits for employees as of March 31, 2011 and 2010 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligations	¥(21,209)	¥(21,064)	\$(255,073)
Plan assets	15,685	14,973	188,646
Unfunded benefit obligations.....	(5,524)	(6,091)	(66,427)
Unrecognized prior service costs..	(1,863)	(2,481)	(22,409)
Unrecognized actuarial differences...	2,706	2,574	32,543
Unrecognized transition amount....	2,276	2,845	27,370
Accrued pension costs	(2,405)	(3,153)	(28,923)
Prepaid pension costs	2,936	2,129	35,306
Liability for retirement benefits for employees	¥ (5,341)	¥ (5,282)	\$ (64,229)

The net periodic retirement benefit costs relating to retirement benefits for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost.....	¥ 693	¥ 674	\$ 8,338
Interest cost.....	463	466	5,571
Expected return on plan assets.....	(299)	(351)	(3,601)
Amortization of unrecognized prior service costs	(618)	(618)	(7,427)
Amortization of unrecognized actuarial differences	646	797	7,765
Amortization of transitional obligation for retirement benefits..	569	569	6,843
Other	64	68	765
Net periodic retirement benefit costs	¥1,518	¥1,605	\$18,254

Assumptions used in the calculation of the above information are as follows:

	2011	2010
Discount rate	2.2%	2.2%
Expected rate of return on plan assets....	2.0%	2.5%
Method of attributing the projected benefits of services.....	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service cost.....	10 years	10 years
Amortization of transitional obligation..	15 years	15 years
Amortization of unrecognized actuarial differences.....	10 years	10 years

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the board of directors, (2) having independent auditors, (3) having the board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The board of directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the board of corporate auditors. The Company is organized as a company with board committees.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, additional paid-in capital, capital surplus, legal reserve, and other retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. LEASES

The Companies have various lease agreements whereby the Companies act both as a lessee and a lessor. Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

The minimum rental commitments under noncancelable operating leases at March 31, 2011 are as follows:

Lessee Lease (Operating Lease)

Outstanding future lease payments as of March 31, 2011 and 2010 for noncancelable operating leases, categorized by contractual maturity are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year.....		¥1	
Due after one year.....			
Total		¥1	

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Companies applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

(1) Lessee lease (finance lease)

(a) Acquisition cost, accumulated depreciation and net book value as of March 31, 2011 (nil) and 2010 are as follows:

	Millions of Yen		
	2010		Balance as of March 31, 2010
	Acquisition Cost	Accumulated Depreciation	
Tools, furniture and fixtures	¥1,056	¥766	¥290

(b) Outstanding future lease payments as of March 31, 2011 (nil) and 2010 including the interest portion thereon, categorized by contractual maturity are as follows:

	Millions of Yen 2010
Due within one year	¥193
Due after one year	111
Total	¥304

(c) Lease payments, depreciation expense and interest expense amounts for the years ended March 31, 2011 (nil) and 2010 are as follows:

	Millions of Yen 2010
Lease payments	¥439
Depreciation expense amount	407
Interest expense amount	23

(d) Computation of depreciation expense amount

Depreciation expense amount is computed using the straight-line method over a period up to the length of the relevant lease contract with no residual value.

(e) Allocation of interest expense amount

Interest expense amount is allocated using the interest method over the respective term of lease.

(2) Lessor lease (finance lease)

(a) Acquisition cost, accumulated depreciation and net book value as of March 31, 2011 (nil) and 2010 are as follows:

	Millions of Yen		
	2010		Balance as of March 31, 2010
	Acquisition Cost	Accumulated Depreciation	
Leased assets	¥323	¥322	¥1

(b) Outstanding lease payments receivable as of March 31, 2011 (nil) and 2010 are as follows:

	Millions of Yen 2010
Due within one year	¥217
Due after one year	119
Total	¥336

The above balances include lease payments receivable arising from sub-lease transactions of ¥304 million of which ¥193 million is due within one year as of March 31, 2010. Such sub-leases are contracted with the third party on nearly the same terms as the original leases. Balances that are substantially the same are included in the outstanding future lease payments described in (1)(b) above.

(c) Lease revenue, depreciation and interest income amounts for the years ended March 31, 2011 (nil) and 2010 are as follows:

	Millions of Yen 2010
Lease revenue	¥45
Depreciation	24
Interest income amount	1

(d) Allocation of interest income amount

Interest income amount is allocated using the interest method over the respective term of leases.

11. LIABILITIES FOR GUARANTEES

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Guarantees for housing loans from banks for employees	¥3,308	¥3,548	\$39,787
Guarantees for loans from banks for ICJ, Inc.	36	68	433

12. LITIGATION

TSE is currently in dispute with Mizuho Securities Co., Ltd. who filed a lawsuit against TSE seeking compensation for the loss of ¥41,578 million (\$500,047 thousand) caused by erroneous trades of J-COM Co., Ltd., which took place on December 8, 2005. On December 4, 2009, the court ordered TSE to pay damages of ¥10,712 million (\$128,829 thousand) and delinquency charges to Mizuho Securities Co., Ltd. On December 18, 2009, TSE made a payment of ¥13,213 million (\$158,907 thousand), including delinquency charges through that date, in order to avoid the compulsory execution under the court's ruling with a declaration of provisional execution.

In response to this court ruling, Mizuho Securities Co., Ltd. has filed an appeal with the Tokyo High Court, and TSE has filed an incidental appeal with the court. The case is currently in litigation.

13. ASSETS AND LIABILITIES FOR HEDGING RISKS OF SECURITIES TRADING

(a) TSE and JSCC have a system which includes receiving deposits for clearing funds, in order to hedge the risks of securities trading according to laws, regulations and internal rules. Assets deposited with the Companies in accordance with the system are designated as monetary assets or securities (limited in the rules), and according to internal rules, the amounts of the deposited securities are calculated by multiplying their market values by a figure ranging between 70% and 95%, depending on the type of securities.

(b) JSCC, as a clearing institution, assumes obligations and obtains credits from clearing participants when securities are traded in the market. In order to secure against the clearing participants' default for the period from the trading date through the settlement date, JSCC receives deposits for clearing funds and keeps them segregated from other assets.

Deposited monetary assets and related offsetting liabilities are presented in the accompanying consolidated balance sheets as "Margin funds (received) for derivatives and when-issued transactions," "Deposits (received) for clearing funds" and "Deposits (received) as collateral for facilitating settlement."

Due to revisions to clearing regulations implemented on January 30, 2007, the asset or liability which was previously classified under "Deposits (received) as collateral preceding settlement day" is now classified under a new accounting item "Deposits (received) as collateral for facilitating settlement."

Deposited securities and related offsetting liabilities are not included in the accompanying consolidated balance sheets. The market value of such deposited securities as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Margin funds for when-issued transactions	¥ 85	\$ 1,026
Margin funds for derivatives.....	793,547	9,543,558
Deposits for clearing funds.....	187,621	2,256,418
Deposits as collateral for facilitating settlement	100,090	1,203,734

(c) TSE receives legal guarantee funds from the trading participants in order to hedge the risk to investors caused by a trading participants' default, and keeps them segregated from other assets.

Deposited monetary assets and related liabilities are presented in the accompanying consolidated balance sheets as "(Returnable) legal guarantee funds."

Deposited securities and related offsetting liabilities are not included in the accompanying consolidated balance sheets. The market value of such deposited securities as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Legal guarantee funds.....	¥1,386	\$16,672

(d) In addition, TSE receives guarantees from trading participants so as to hedge TSE's risk caused by a participant's default.

Deposited monetary assets and related liabilities are presented in the accompanying consolidated balance sheets as "Cash and bank deposits" and "Deposits received as trading participant security money."

Deposited securities and related offsetting liabilities are not included in the accompanying consolidated balance sheets. The market value of such deposited securities as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Deposits received as trading participant security money	¥2,319	\$27,895

(e) In addition, TSE has concluded a loss compensation contract with JSCC with respect to the clearing of security, future and option transactions. According to this contract, TSE will compensate JSCC for losses incurred due to default by clearing participants within the limitation of the amount which can not be covered by clearing deposits received from clearing participants. In order to secure such compensation, TSE has maintained the compensation limitation amount and stated as special assets for default compensation reserve funds for ¥17,368 million (\$208,873 thousand) as of March 31, 2011 and 2010, respectively, in the accompanying consolidated balance sheets.

14. DETAILS OF OPERATING EXPENSES

The following are the major elements of "operating expenses" for the years ended March 31, 2011 and 2010:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Salaries	¥ 6,737	¥ 7,072	\$ 81,017
Bonus allowance.....	967	978	11,631
Directors' bonus allowance.....	293	53	3,521
Net periodic retirement benefit costs.....	1,402	1,503	16,859
System maintenance and operation costs	6,298	8,269	75,748
Real estate rental fees.....	5,736	6,047	68,989
Depreciation	10,334	10,755	124,278

15. LONG-LIVED ASSETS

(1) Company Which Recognized Impairment Loss

TOKYO AIM, Inc.

(2) Assets on Which Impairment Losses Were Recognized and Amount of the Impairment Losses

Use	Category	Thousands of U.S. Dollars	
		Millions of Yen	2011
Business asset	Buildings and structures	¥ 6	\$ 73
	Other property and equipment ...	10	124
	Other intangible assets	38	453

(3) Background of Recognition of Impairment Losses

The revenues initially estimated in the business plan determined at the time of establishment were unable to be realized, thus the business assets were fully written down as impaired.

(4) Method of Grouping the Asset

Because the Companies are engaged in a single business, there is no segment for business assets and each company is categorized as a single asset group. Idle assets are categorized as a minimum asset group for each asset.

(5) Calculation Methods of Recoverable Value

Full amount of book value is recognized as impairment loss. Value in use and net selling price are expected to be zero, therefore recoverable value will be recognized as zero.

16. DETAILS OF LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The following are the elements of "Loss on disposal of property and equipment and intangible assets" for the years ended March 31, 2011 and 2010:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Buildings and structures	¥ 11	¥11	\$ 130
Other property and equipment ...	192	6	2,304
Other intangible assets	20	17	244
Total	¥223	¥34	\$2,678

17. COMPREHENSIVE INCOME

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent.....	¥2,892
Minority interests.....	(238)
Total comprehensive income.....	¥2,654

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income—	
Unrealized gain on available-for-sale securities.....	¥6,494
Total other comprehensive income.....	¥6,494

18. NET INCOME (LOSS) PER SHARE

Net income (loss) per share of common stock is based upon the weighted-average number of shares of common stock outstanding during each year.

Basis for calculating net income (loss) per share for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Net income (loss)	¥8,879	¥(3,602)	\$106,784
Less components not pertaining to common shareholders			
Net income (loss) pertaining to common stock.....	¥8,879	¥(3,602)	\$106,784
Average outstanding shares of common stock.....	2,273,740 shares	2,273,740 shares	2,273,740 shares

No dilutive effect on net income existed.

19. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No. 20 “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance was applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

(1) Products and Services

For the year ended March 31, 2011, this information has been omitted due to its inclusion in the consolidated statements of operations.

(2) Geographic Location

a. Sale

For the year ended March 31, 2011, this information has been omitted due to sales to customers outside of Japan surpassing 90% of consolidated revenue.

b. Property and equipment

For the year ended March 31, 2011, this information has been omitted due to the value of property and equipment in Japan surpassing 90% of the properties and equipment on the consolidated balance sheet.

(3) Major Customers

For the year ended March 31, 2011, this information has been omitted due to outside sales to specific customers being less than 10% of consolidated revenue.

20. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's board of directors meeting held on May 17, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1,200 (\$14.43) per share	¥2,728	\$32,814

Independent Auditors' Report

To the Board of Directors of
Tokyo Stock Exchange Group, Inc.:

We have audited the accompanying consolidated balance sheets of Tokyo Stock Exchange Group, Inc. (the "Company") and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Stock Exchange Group, Inc. and subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 12 to the consolidated financial statements, the Tokyo Stock Exchange, Inc. (the "TSE") is currently in dispute with Mizuho Securities Co., Ltd. who filed a lawsuit against the TSE seeking compensation for the loss of ¥41,578 million caused by erroneous trades of J-COM Co., Ltd., which took place on December 8, 2005. On December 4, 2009, the court ordered the TSE to pay damages of ¥10,712 million and delinquency charges. On December 18, 2009, the TSE made a payment of ¥13,213 million, including delinquency charges through that date. In response to this court ruling, Mizuho Securities Co., Ltd. has filed an appeal with the Tokyo High Court, and the TSE has filed an incidental appeal with the court. The case is currently in litigation.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2011

Market Data

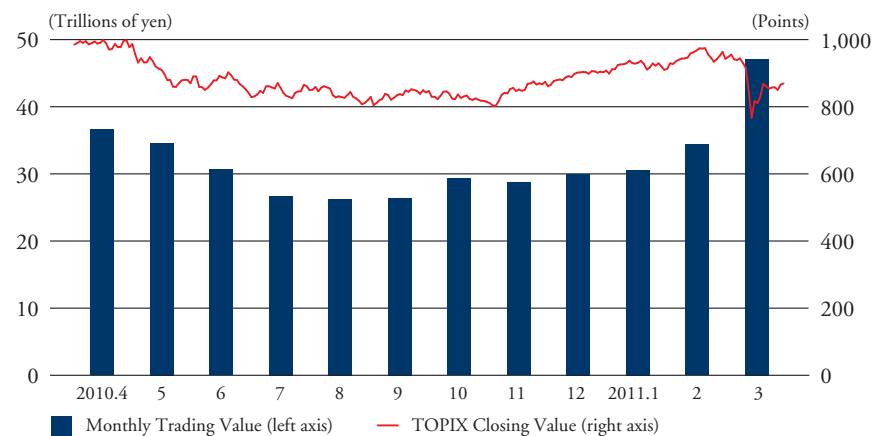
Trading Value of Stocks

(Monthly)

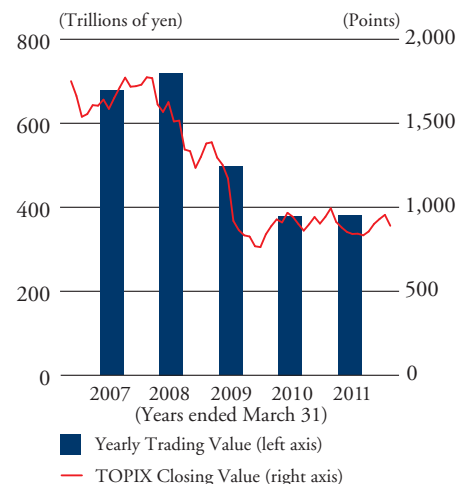
	Daily Average Trading Value (Millions of yen)		Total	
	Auction Trades	ToSTNeT Market	Trading Value (Millions of yen)	Trading Volume (Thousands of shares)
2010.4	1,613,614	126,739	36,547,417	50,502,807
5	1,767,458	152,703	34,562,893	48,306,624
6	1,286,101	104,223	30,587,118	42,723,954
7	1,165,115	104,717	26,666,475	42,486,329
8	1,103,267	87,863	26,204,862	37,799,004
9	1,209,955	108,513	26,369,353	37,103,722
10	1,331,239	130,742	29,239,630	42,985,696
11	1,302,088	129,884	28,639,428	42,226,854
12	1,275,973	149,953	29,944,439	43,047,000
2011.1	1,460,871	146,345	30,537,114	44,484,664
2	1,641,881	163,270	34,297,873	48,348,744
3	1,981,743	155,516	47,019,686	74,806,978
(Fiscal year ended)				
2007.3	2,568,560	188,548	678,248,668	506,895,460
2008.3	2,757,245	183,384	720,454,066	554,340,069
2009.3	1,899,051	131,258	497,425,648	542,104,335
2010.3	1,443,560	109,973	379,062,124	566,896,287
2011.3	1,424,267	129,269	380,616,295	554,822,383

Trading Value of Stocks and TOPIX

(Monthly)

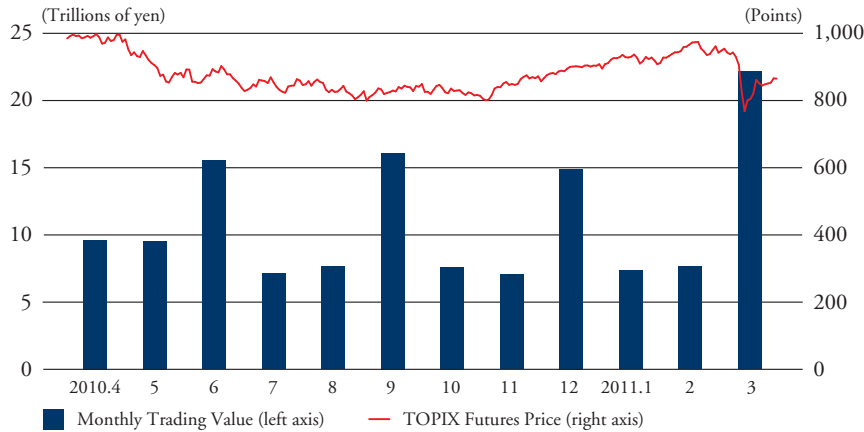


(Fiscal year)

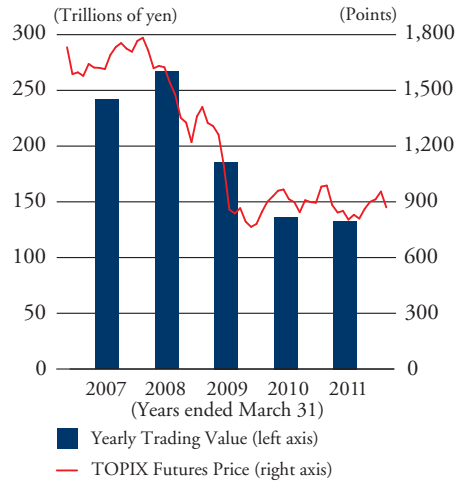


Stock Price Index Futures

(Monthly)

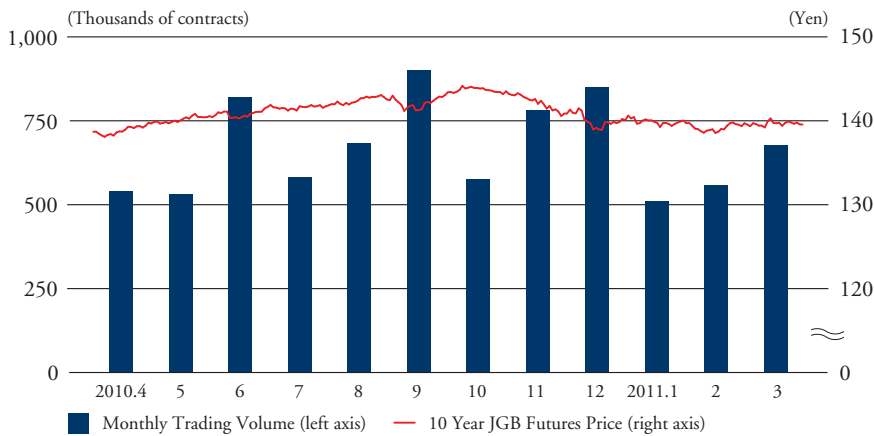


(Fiscal year)

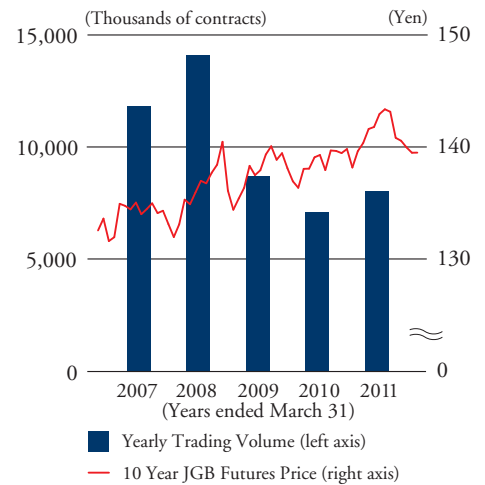


Japanese Government Bond Futures

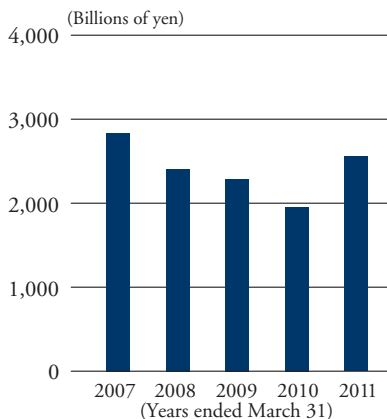
(Monthly)



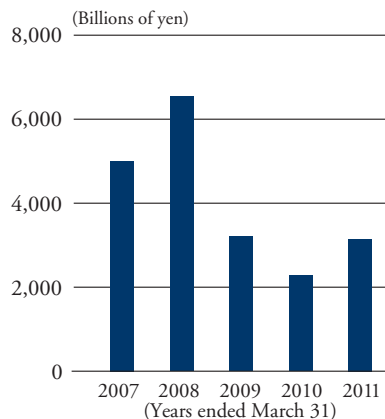
(Fiscal year)



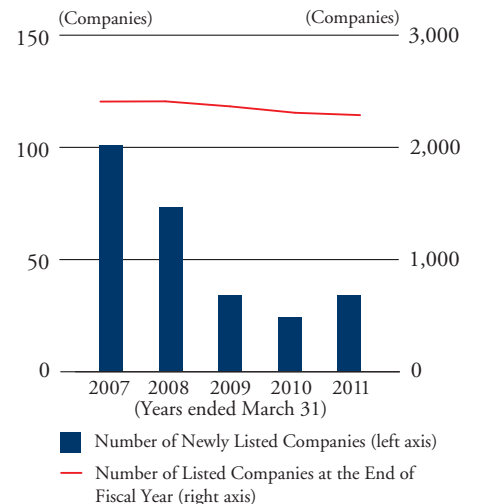
ETFs' Yearly Trading Value



REITs' Yearly Trading Value

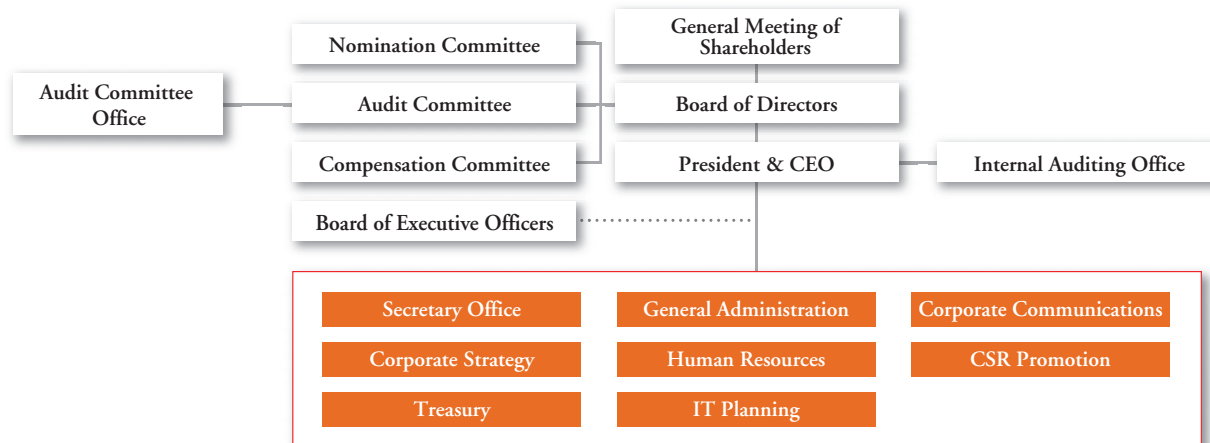


Number of Newly Listed Companies, Number of Listed Companies



Organization

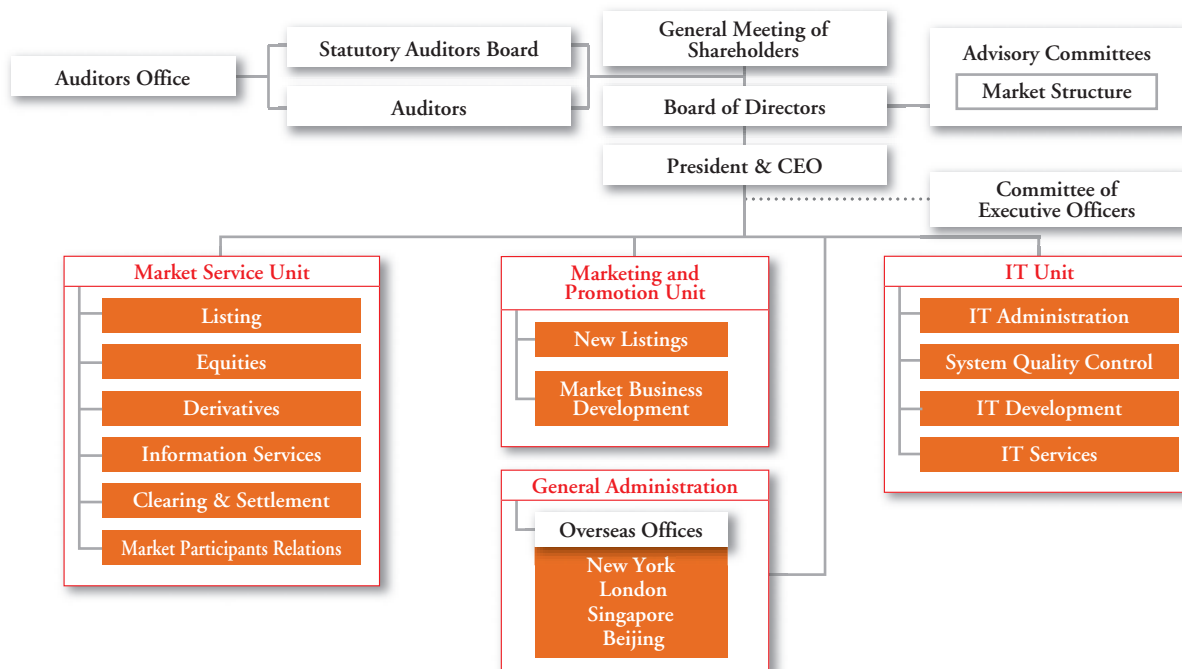
TOKYO STOCK EXCHANGE GROUP, INC.



Subsidiaries and affiliates	Capital contribution
Tokyo Stock Exchange, Inc.	100.0%
Tokyo Stock Exchange Regulation	100.0%
Japan Securities Clearing Corporation	86.3%
TOKYO AIM, Inc.	51.0%
Emissions Trading Exchange Preparatory Corporation, Inc.	50.0%
Japan Securities Depository Center, Inc.	22.7%

Ownership 100%

TOKYO STOCK EXCHANGE, INC.



Subsidiaries and affiliates	Capital contribution
TOSHO SYSTEM SERVICE Co., Ltd.	80.0%
ICJ, Inc.	45.0%
Tosho Computer Systems Co., Ltd.	35.0%

Corporate Data (As of March 31, 2011)

Name	Tokyo Stock Exchange Group, Inc.
No. of Officers	Directors 15 Executive Officers 6 (As of June 21, 2011)
Address	2-1 Nihombashi-Kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan
Tel	(81) 3-3666-1361
URL	http://www.tse.or.jp/english/index.html
Foundation	August 1, 2007
Capital	¥11.5 billion
No. of Employees	854

Share Information

Authorized Shares	9,200,000
Shares Outstanding	2,300,000
No. of Shareholders	107

Overseas Offices of Tokyo Stock Exchange, Inc.

New York Representative Office
45 Broadway, New York, NY 10006, USA
Tel: (1) 212-363-2350

London Representative Office
4 St. Paul's Churchyard, London, EC4M 8AY, UK
Tel: (44) 20-7329-2155

Fourteen Largest Shareholders

Name of shareholders	Number of shares (Thousands)	Percentage of total (%)
Morgan Stanley MUFG Securities Co., Ltd.	100	4.40
SMBC Friend Securities Co., Ltd.	60	2.64
Goldman Sachs Japan Co., Ltd.	60	2.64
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	55	2.42
Retela Crea Securities Co., Ltd.	41	1.80
AIZAWA SECURITIES CO., LTD.	40	1.76
Iwai Cosmo Holdings, Inc.	40	1.76
SBI SECURITIES Co., Ltd.	40	1.76
OKACHI SECURITIES CO., LTD.	40	1.76
KYOKUTO SECURITIES CO., LTD.	40	1.76
Securities Japan, Inc.	40	1.76
BNP Paribas Securities (Japan) Limited	40	1.76
Monex, Inc.	40	1.76
Mizuho Securities Co., Ltd.	40	1.76

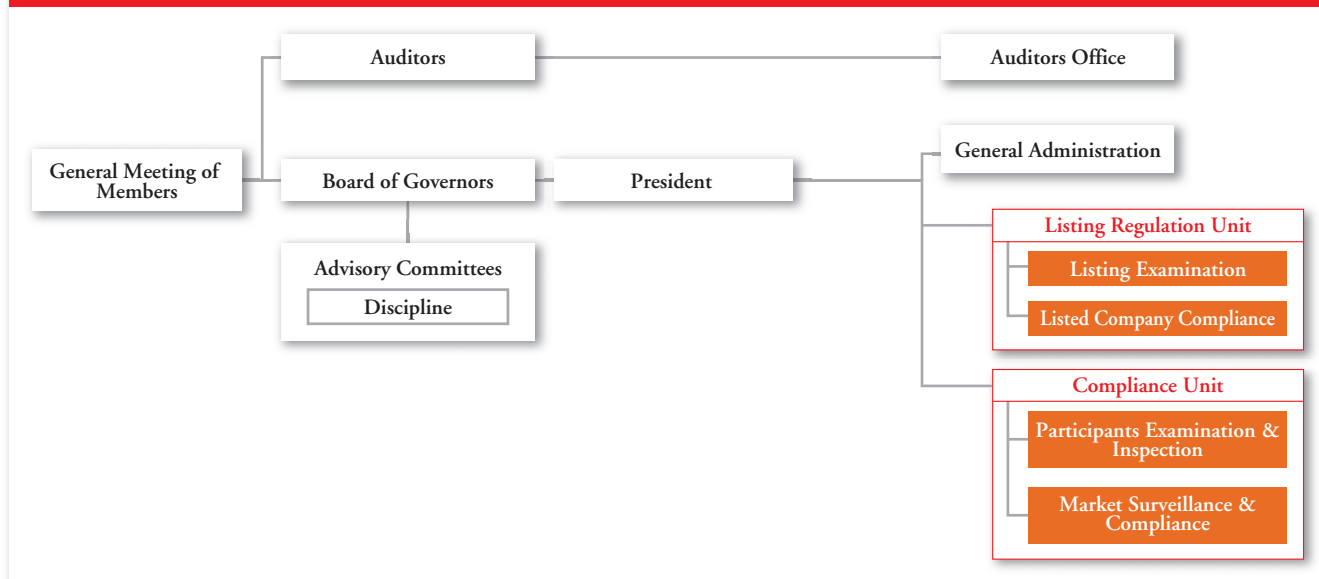
Note: Calculations of the "percentage of total" exclude treasury shares (26,260 shares).

Singapore Representative Office
16 Raffles Quay #11-02, Hong Leong Building, Singapore 048581
Tel: (65) 6438-5100

Beijing Representative Office
Beijing Yintai Center, No. 2 Jian Guo Men Wai Ave, Chao Yang District, Beijing, 100022, P.R.C.
Tel: (86) 10-8517-1128

Ownership 100%

TOKYO STOCK EXCHANGE REGULATION



Disclaimer

This annual report is prepared solely for the purpose of providing information regarding the Tokyo Stock Exchange Group, Inc., and as such, it is not intended as any offer or sale of securities or other similar action whether inside or outside Japan. Our securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This annual report contains forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.

TOKYO STOCK EXCHANGE GROUP, INC.

2-1 Nihombashi-Kabuto-cho, Chuo-ku, Tokyo 103-8224, Japan

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<http://www.tse.or.jp/english/index.html>