



# Annual Report 2009

For the fiscal year ended March 31, 2009

**TOKYO STOCK EXCHANGE GROUP, INC.**

# About Tokyo Stock Exchange Group

## Profile

Founded in 1878, the 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.

The 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). The TSE provides not only market operation services, but also clearing and settlement, market information and other related services.

The TSE became a stock corporation in November 2001. In August 2007, the TSE reorganized itself and Tokyo Stock Exchange Group, Inc. (the holding company of the Tokyo Stock Exchange, Inc., a market operation company, and the Tokyo Stock Exchange Regulation, a self-regulatory organization) was established in order to make the market operation 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.")

### TOKYO STOCK EXCHANGE GROUP, INC.

#### Subsidiaries and affiliates

Tokyo Stock Exchange, Inc.	Market operations
Tokyo Stock Exchange Regulation	Self-regulatory operations
Japan Securities Clearing Corporation	Clearing operations for trading in marketable securities
TOKYO AIM, Inc.	Operation of specified financial instruments market
Japan Securities Depository Center, Inc.	Book-entry transfer and custody operations for securities



### TOKYO STOCK EXCHANGE REGULATION

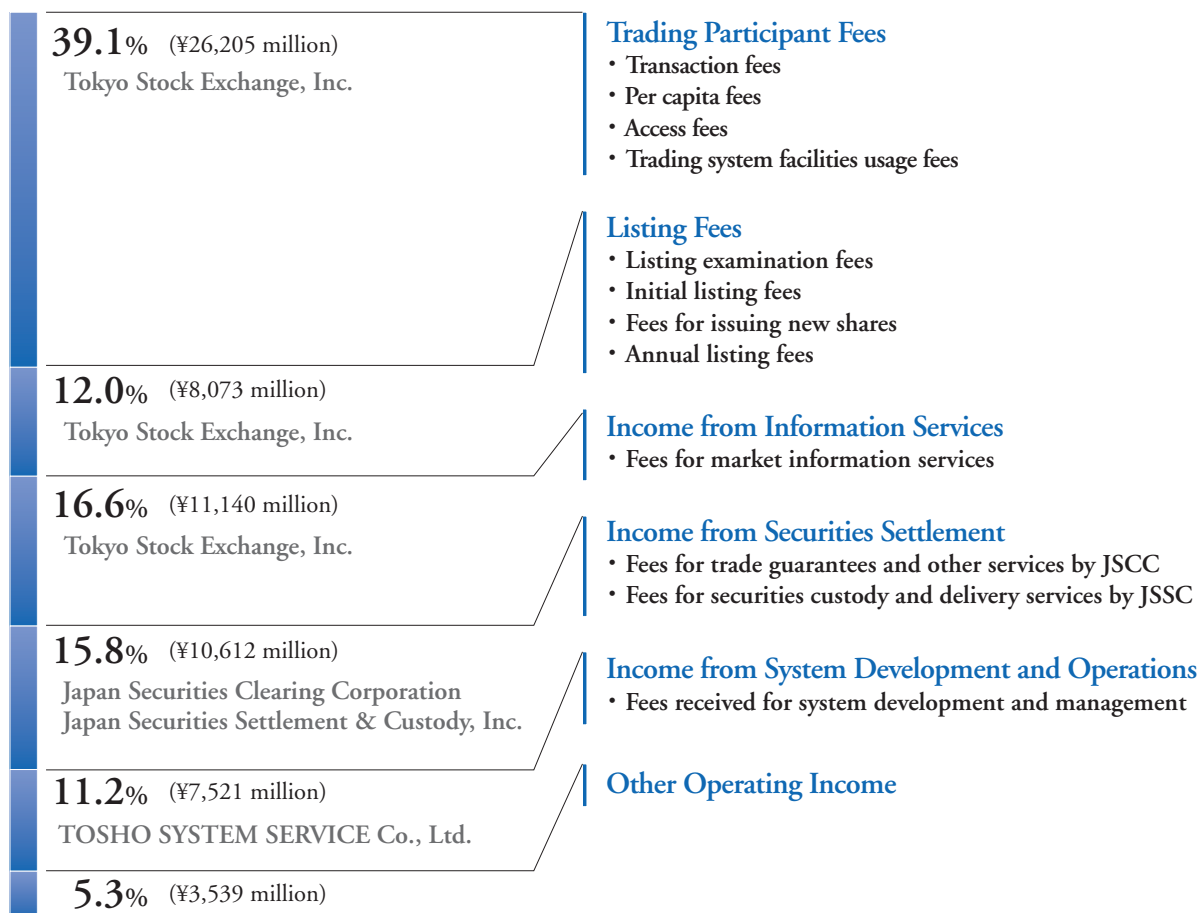


### TOKYO STOCK EXCHANGE, INC.

#### Subsidiaries and affiliates

Japan Securities Settlement & Custody, Inc.	Custody operations for securities
TOSHO SYSTEM SERVICE Co., Ltd.	Systems development, etc.
ICJ	Operation of electronic voting platform for institutional and foreign investors
Tosho Computer Systems Co., Ltd.	System operations

## Composition of Operating Revenues (Fiscal year ended March 31, 2009)



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# Financial Highlights

The consolidated financial results for the year ended March 31, 2007 and previous terms 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 year ended March 31, 2009 are those of Tokyo Stock Exchange Group, Inc.

## Financial Data

	¥ mils. except per share data and ratio					US\$ thous.*** except per share data
	2009.3	2008.3	2007.3	2006.3	2005.3	2009.3
<b>FOR THE YEAR</b>						
Operating revenues.....	¥ 67,090	¥ 75,505	¥ 75,478	¥ 69,893	¥ 53,071	\$ 682,989
Operating profit.....	14,175	28,787	33,016	28,751	11,360	144,304
Net income (loss) .....	(3,696)	17,701	19,985	18,833	4,978	(37,629)
EBITDA*.....	3,867	38,960	41,852	35,747	15,546	39,369
<b>YEAR END</b>						
Total assets.....	¥ 677,163	¥ 717,676	¥ 565,519	¥ 617,864	¥ 367,358	\$6,893,649
Total equity .....	114,089	117,776	111,247	95,661	77,646	1,161,443
<b>PER SHARE DATA</b>						
EPS .....	¥(1,626.65)	¥ 7,785.04	¥ 8,789.64	¥ 8,257.83	¥ 2,164.82	\$ (16.55)
BPS .....	49,113.92	50,859.77	48,289.71	41,600.08	33,852.25	499.99
BPS** .....	41,475.50	43,221.35	40,651.29	33,961.66	26,213.83	422.23
<b>KEY FINANCIAL RATIOS</b>						
ROE .....	(3.3%)	15.7%	19.6%	21.9%	6.6%	
ROE** .....	(3.8%)	18.6%	23.6%	27.5%	8.6%	

\* EBITDA = Income (loss) before income taxes and minority interests + Interest expense + Depreciation

\*\* Calculated excluding the default compensation reserve funds

\*\*\* Rate of US\$1 = ¥98.23 used for conversion

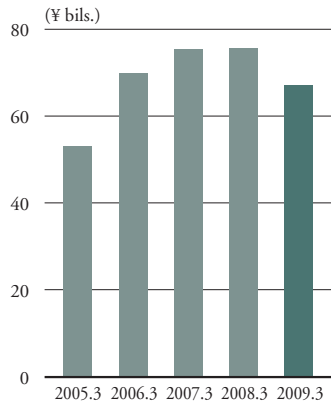
## Market Data

	2009.3	2008.3	2007.3	2006.3	2005.3	2009.3
<b>FOR THE YEAR</b>						
Equities trading volume (mils. shares) ...	542,104	554,340	506,895	588,554	400,421	
Equities trading value (bils.) .....	¥497,426	¥720,454	¥678,249	¥591,500	¥349,257	\$5,064
Stock index futures trading value (bils.) ...	¥185,657	¥266,565	¥241,360	¥204,080	¥118,593	\$1,890
JGB futures trading volume (thous. contracts) ...	8,681	14,090	11,801	10,929	8,290	
<b>YEAR END</b>						
Number of listed companies .....	2,370	2,415	2,413	2,372	2,318	
Market capitalization (bils.) .....	¥255,909	¥396,008	¥559,385	¥563,349	¥377,049	\$2,605
Index (TOPIX) .....	773.66	1,212.96	1,713.61	1,728.16	1,182.18	

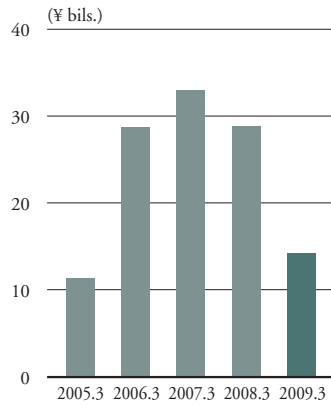
\*\*\* Rate of US\$1 = ¥98.23 used for conversion



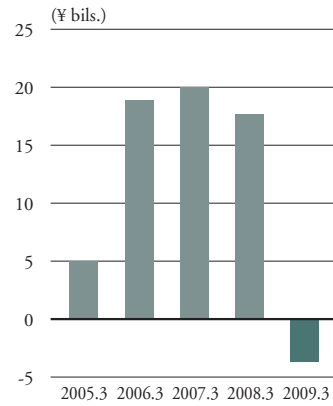
### Operating Revenues



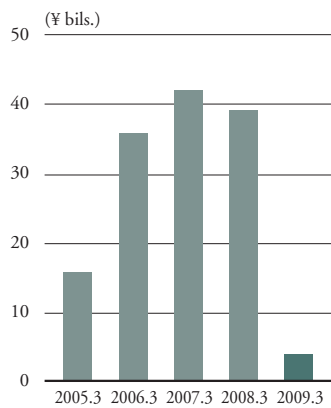
### Operating Profit



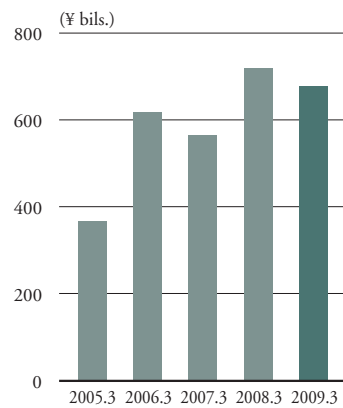
### Net Income (Loss)



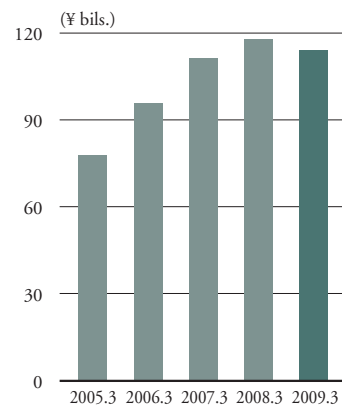
### EBITDA



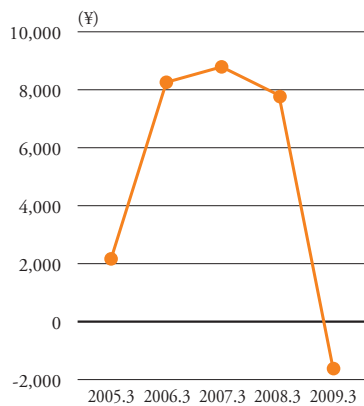
### Total Assets



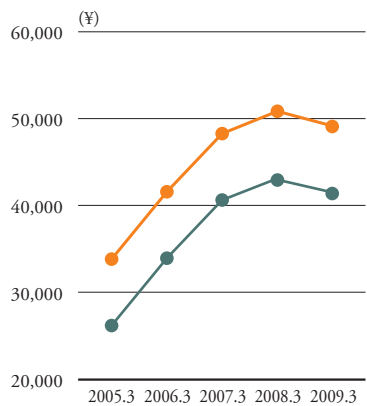
### Total Equity



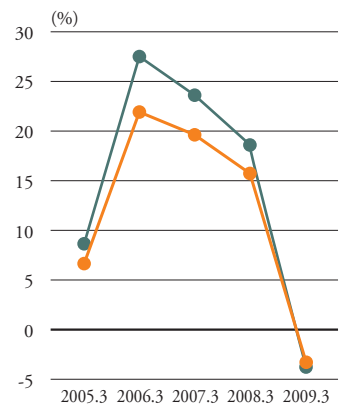
### EPS



### BPS



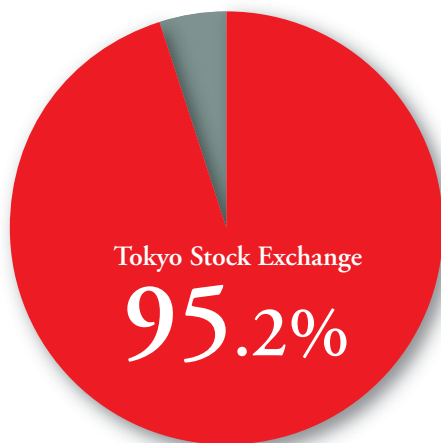
### ROE



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

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

## Share of Trading Value of Listed Stocks on Domestic Exchanges



As of December 31, 2008

## Number of Listed Companies on Major Securities Exchanges

Tokyo Stock Exchange:

**2,370**  
companies

(As of March 31, 2009)

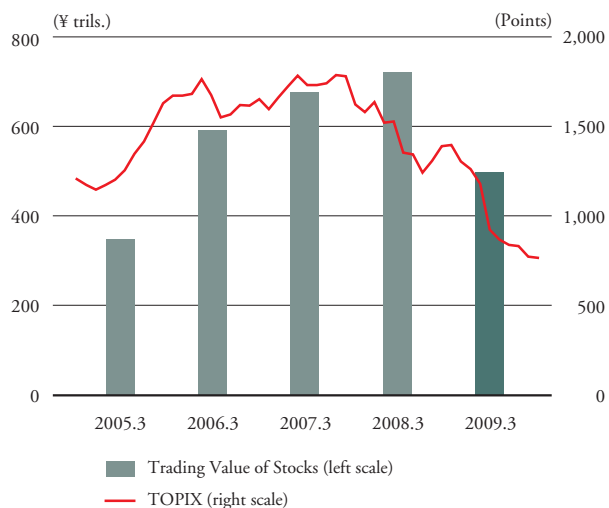
Exchange	Number of Listed Companies
NYSE Euronext (US)	3,205
NASDAQ OMX	2,965
London SE	3,008
Hong Kong Exchanges	1,266
Shanghai SE	864
Singapore Exchange	765

Source: World Federation of Exchanges

As of March 8, 2009

## Trading Value of Stocks and TOPIX

(fiscal year)



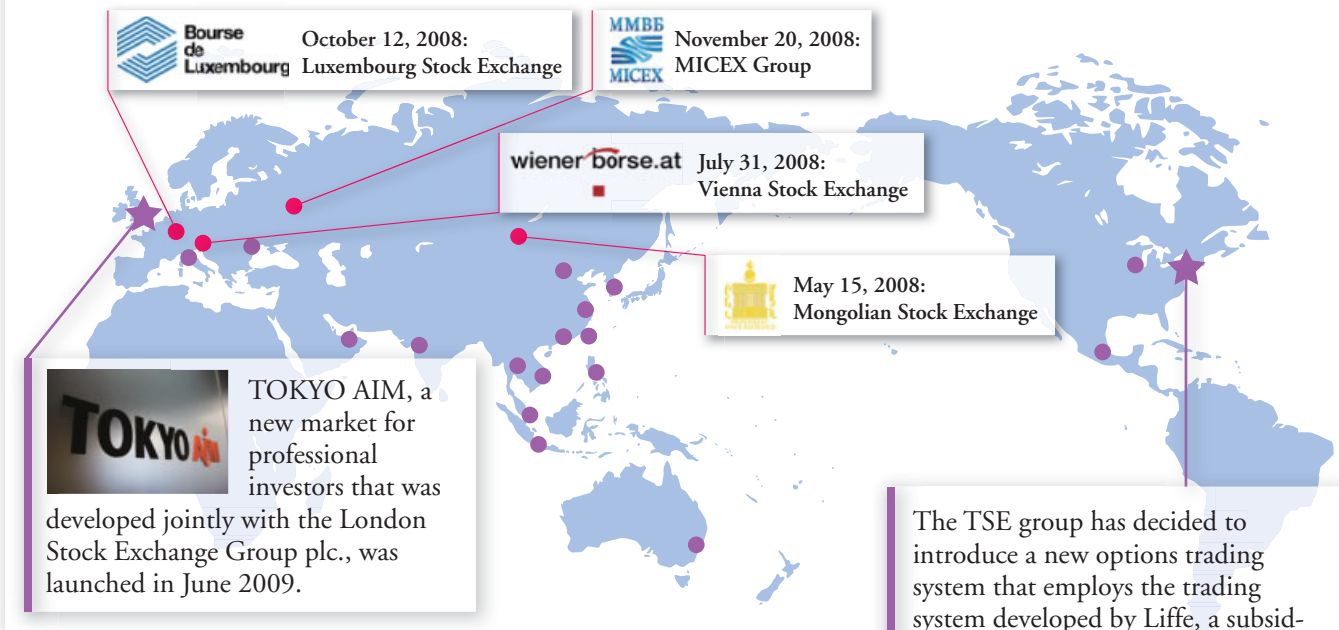
## TSE Ranks Second Globally in Total Market Capitalization

(US\$ mils.)

Exchange	As of March 31, 2009
1. NYSE Euronext (US)	7,945,719
<b>2. Tokyo Stock Exchange</b>	<b>2,610,655</b>
3. NASDAQ OMX	2,261,713
4. Shanghai Stock Exchange	1,862,672
5. NYSE Euronext (Europe)	1,811,968
6. London Stock Exchange	1,676,219
7. Hong Kong Exchanges	1,306,754
8. TSX Group	1,001,230
9. Deutsche Börse	900,681
10. BME Spanish Exchanges	831,282

Source: World Federation of Exchanges

## Alliances with Overseas Exchanges\*



## TSE Ranks Fourth Globally in Total Value of Share Trading

(US\$ mils.)

Exchange	Year Ended March 31, 2009
1. NASDAQ OMX	34,669,054
2. NYSE Euronext (US)	29,488,948
3. London Stock Exchange	5,288,488
<b>4. Tokyo Stock Exchange</b>	<b>4,894,175</b>
5. Deutsche Börse	3,980,582
6. NYSE Euronext (Europe)	3,559,730
7. Shanghai Stock Exchange	2,573,941
8. BME Spanish Exchanges	1,982,595
9. TSX Group	1,561,997
10. SIX Swiss Exchange	1,344,389

Source: World Federation of Exchanges

\* Dates are dates of conclusion of memorandum of understanding.





## 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, Syndicate & New Products, and so on. 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 the TSE in June 2007, he tackled various revitalization projects as President & CEO of the Industrial Revitalization Corporation of Japan since its inception in 2003.

## First Year of the Medium-Term Management Plan Completed

The fiscal year ended March 31, 2009 was extremely challenging for the TSE group (Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc., Tokyo Stock Exchange Regulation and other subsidiaries). In particular, the rapid decline in stock prices following the global financial crisis triggered by the bankruptcy of Lehman Brothers in September 2008 and the shrinkage in the scale of the market forced us to significantly revise our medium-term management plan.

However, the recent financial crisis that originated from the over-the-counter markets demonstrated that a high level of liquidity and transparency are critical components of financial transactions. We have heeded this lesson in emphasizing the advantages of a regulated exchange market with these features, and we will continue to enhance them further as we work to meet the expectations of market users.

July 2009



# What are the TSE group's medium-term objectives?



In its three-year medium-term management plan formulated in March 2008, the TSE group set forth its target of evolving into a universal exchange. This concept of a universal exchange involves providing integrated services from listing, trading and market information services to clearing and settlement services. Such an exchange will simultaneously provide these vertically integrated functions as well as horizontally expansive services in both the cash and derivatives markets, which will make it possible to provide diverse investment opportunities and serve investors worldwide.

Providing a variety of investment products is critical as we work to achieve our target, and the TSE group must provide well-balanced investment opportunities in both the cash and derivatives markets. Strengthening the derivatives market is an area of focus because it is an especially important goal of our medium-term management plan.

At the same time, we need to attract risk capital from around the world to grow as a vibrant market. The TSE group, as a whole, is therefore working together as a central market in Japan's financial and capital markets to achieve quantitative expansion and qualitative enhancement. Quantitative expansion involves increasing the lineup of listed products and providing world-class trading systems, while qualitative enhancement involves facilitating improved corporate governance of listed companies and strengthening the market's self-regulatory functions. The TSE group will generate synergy between quantitative expansion and qualitative enhancement in order to build an exchange with reliability, befitting its position as the central market in Asia.

We are working to evolve into a universal exchange that provides a broad range of products, services and functions to offer global investors diverse investment opportunities.

## Target

### A Universal Exchange

- An exchange that provides a broad range of products, services and functions to offer global investors diverse investment opportunities

## Basic Strategies

### Quantitative Expansion

- Diversify lineup of trading products
- Provide world-class trading systems

### Qualitative Enhancement

- Facilitate enhanced corporate governance of listed companies
- Strengthen self-regulatory functions

## What are the benefits of strengthening the derivatives market?

Quantitative expansion is one of our key tasks in achieving a universal exchange. Considering the scale of the cash market, the TSE's derivatives market has the potential for excellent future growth. We will enhance liquidity by attracting more investors and developing new products to achieve quantitative expansion. In addition, the derivatives market can be operated at low cost and strong profit margins. Thus expanding the derivatives market contributes to a stronger business base of the TSE group.

The exchange's creativity and originality drive the expansion and growth of the derivatives market. Low-cost operation presents the opportunity for higher profitability and growth.

The TSE is making utmost efforts to attract more investors by making its derivatives market meet global standards. In pursuing this objective, we have moved to upgrade the systems environment of our options market to enhance functionalities and then increase liquidity. In a strategic alliance with NYSE Euronext, the TSE has decided to implement a new trading platform for its options market by employing the trading system developed by Liffe, a subsidiary of NYSE Euronext and Europe's largest derivatives exchange. The TSE is currently preparing for its launch this fall. At the same time, we plan to provide a "co-location service" and

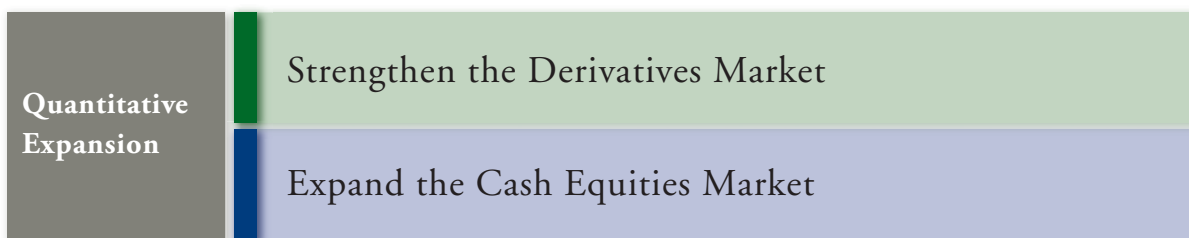
expect significant enhancement of the trading systems.

In addition, in February 2009 the TSE moved to permit the remote participation of overseas securities firms in its market and introduce a market-maker system in tandem with the startup of the new system, which will attract more liquidity in its market.

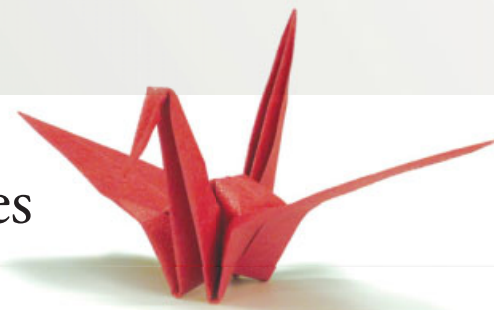
While upgrading the trading systems as well as revising the exchange rules, we are also expanding our product lineup. We will continue to add new products that meet the needs of a broad range of investors from individuals to institutions.

We are steadily implementing these and other efforts with the goal of doubling derivatives market trading volume by the fiscal year ending March 2011 compared to that of the fiscal year ended March 2008.

### Priority Strategies



# What are the TSE group's strategies for the cash market?



The cash market is the TSE's revenue driver and will remain its core engine of growth, complemented by the derivatives market. We recognize the importance of increasing listed products and enhancing services in order to support its sustained growth. Our measures for quantitative expansion will therefore include the success of TOKYO AIM, a new market for professional investors, and an expansion of the ETF lineup.

ETFs provide a diverse array of investment opportunities, which makes them an important product as we work to achieve our target of becoming a universal exchange. We are proactively moving to increase the number of listed ETFs, aiming to reach one hundred by the fiscal year ending March 2011.

ETFs are ideal products, particularly for individual investors to use in diversifying their investment portfolios. We are therefore moving beyond our conventional lineup of ETFs linked to equity indexes by broadening the underlying assets of ETFs, such as metals, commodities and fixed income securities. We are also conducting educational and promotional activities to increase investors' awareness of ETFs.

Furthermore, in June 2009 we launched TOKYO AIM, operated jointly with the London Stock Exchange Group plc. (LSE). It makes use of know-how gained from the outstanding success of the London AIM market to provide a similar type of market in Japan. Participation in this market is limited to professional investors, and therefore it accepts disclosure in English and also admits globally accepted accounting standards such as U.S. GAAP and International Financial Reporting Standards. This market provides capital to the companies and industries that contribute to the economic development of Japan and Asia while providing more appealing investment opportunities from the TSE group.

The TSE aims to achieve quantitative expansion through initiatives such as launching the new TOKYO AIM market for professional investors and listing a diverse array of exchange traded funds (ETFs).

## Progress during Fiscal 2008

Introduce a new options trading system and provide a "co-location service" (see page 10)

Introduce a remote trading participant system and market-maker system

Expand the lineup of products

Increase the number of listed ETFs

Establish a new market for professionals (TOKYO AIM)

## What is the TSE group's IT strategy?

As you may know, the exchange business could be called a type of infrastructure-oriented business. The TSE provides integrated functions from trade matching to clearing and settlement of trades. Moreover, in order to maintain its competitiveness, we must respond to the needs of market users by not only ensuring and providing system reliability and safety for these functions, but also providing these functions more quickly.

We are working to further raise the sophistication of the TSE group's IT infrastructure, which we see as the lifeblood of all functions from trading to clearing and settlement.

Each year, we publish the TSE group's IT Master Plan, which describes how to utilize IT infrastructure to accomplish our medium-term business objectives with a mission statement of "to promote further innovation by utilizing information technologies for evolving into a universal exchange."

Today, the functions provided by exchanges can now be offered through IT infrastructures. For example, the TSE has decided to employ the Liffe trading system to develop its options trading system "Tdex+" because it offers the world's highest-level processing capabilities and functions. Equipped with the low latency, reliability, and scalability of this system, we are aiming to increase options trading.

Moreover, in the cash market we are developing the next-generation trading system "arrowhead." The development concept of this new system as well is achieving the world's highest levels of speed, reliability, and scalability.

We will also offer a "co-location service" in conjunction with the development of these trading systems, which will enable the TSE's systems to respond to the demand for even higher transaction speeds.

In order to further enhance the user-friendliness and efficiency of the market infrastructure, we will continue to improve our IT infrastructure in the future.

### Priority Strategies

### Progress during Fiscal 2008

Quantitative  
Expansion

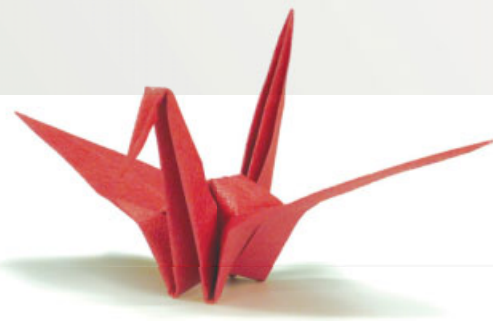
Provide safe,  
high-performance  
trading systems

Introduce the new options trading system "Tdex+"

Develop the next-generation trading system "arrowhead"

Provide a "co-location service"

# What is the reason for qualitative enhancement of the TSE group?



After the recent financial crisis, investors' demand for transparency, safety and fairness of the market is getting stronger.

The TSE has long been making efforts to provide such a market to the investing public. In May 2009 the TSE adopted the Code of Corporate Conduct for its listed companies, a set of guidelines for actions that are desirable for listed companies from the perspective of protecting shareholders and investors. At the same time, we are actively tackling issues relating to corporate conduct that may be detrimental to shareholder rights and interests in order to create an environment in which domestic and overseas investors can invest with confidence.

These efforts to enhance the listing system may give listed companies an impression that the rules simply became more stringent, but we believe this will strengthen investors' confidence and contribute to enhancement of the corporate value of listed companies. Our goal is to create a very high quality market where a virtuous cycle is created in which the increased corporate value of listed companies enhances the appeal of the market as a whole, thus attracting more investors' money into the market.

We devote ourselves to maintaining a fair and reliable market where investors can invest with confidence through our stringent operation of listing examination, listed company supervision, and market surveillance and compliance. We will continue to provide a fair and reliable market and protect the rights and interests of shareholders and investors.

We believe that a high-quality market with safety and reliability can attract more investors, and in fact needs for such markets have been increasing.

**Priority Strategies** **Progress during Fiscal 2008**

<b>Qualitative Enhancement</b>	Strive to protect the rights and interests of shareholders and investors	Improve the Code of Corporate Conduct
	Promote a fair and reliable market	Improve listing examination and supervision

## How will the TSE group respond to new challenges in the current business environment?

The recent global financial crisis has had a significant impact on the business performance of the TSE group. However, at the same time it has also clarified the critical challenges that we must address. In light of current circumstances, the TSE group has formulated specific measures to address key management tasks during the fiscal year ending March 2010.

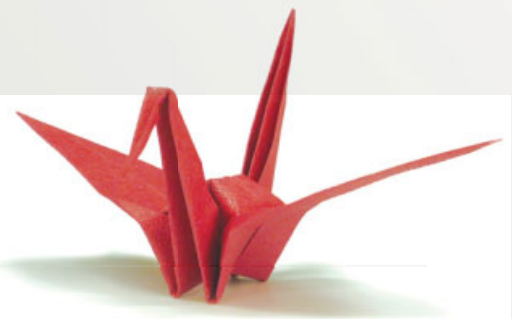
The recent financial crisis has brought us new management challenges. We will expand our efforts to respond to these challenges, particularly in areas such as taking off-exchange transactions back into the exchange market, enhancing our business base and creating an even better environment for investment.

The first task we must address is to take off-exchange transactions back into the TSE market, and for this purpose we need to use the appeal of the advantages of the regulated exchange market in terms of transparency, safety, and fairness. One of the causes of the recent financial crisis was the opaque pricing structure of certain OTC derivatives transactions and the absence of reliable clearing and settlement systems. Moreover, deregulation in the United States and Europe caused a significant increase in off-exchange transactions, which took market share away from incumbent exchanges. Some observers believe that this has created risk by negatively impacting the role of exchanges in the price discovery process. We should take this opportunity to proactively use the appeal of the transparency and safety of exchange transactions, and take off-exchange transactions back into the exchange market.

The second task is to enhance our business base in response to the continued decline in trading volume. The recent financial crisis has resulted in a significant decrease in trading volume, which has had a strongly negative impact on the TSE group's business performance. We must therefore address the issue of building a business model that prepares us for the continuation of these market conditions. One approach we can take is to expand business fields in terms of clearing and settlement, especially the business of providing clearing and settlement services for OTC derivatives transactions, which I discussed earlier.

### Critical Challenges That the TSE group Must Address

1. Take off-exchange transactions back into the TSE market
2. Enhance our business base in response to the continued decline in trading volume
3. Create a better environment in which investors can invest with confidence



Exchanges and the clearing and settlement organizations in the United States and Europe are already energetically moving to provide post-trade processing services associated with OTC derivative

transactions. In Japan, we need to work on raising the safety, transparency, and efficiency of OTC derivative transactions in collaboration with the Japan Securities Clearing Corporation (JSCC), a TSE group clearing company and central counterparty, and the Japan Securities Depository Center (JASDEC), a national securities depository and settlement company. Furthermore, enhancing our information service businesses is also a key driver in strengthening our business base in ways such as developing new indexes and expanding distribution of market information.

The third task is creating a better environment in which investors can invest with confidence. Although we constantly work to improve the quality of the market, the recent financial crisis has further raised the importance of this task, and we continue to make our utmost efforts in this regard.

Besides these three tasks, discussion of the “carbon emissions market,” or emissions trading, has gained momentum amid growing awareness of global environmental concerns. The TSE group has therefore begun studying the creation of a carbon emissions market.

While the business environment surrounding us has become more severe, we recognize that the expectations toward the TSE’s role in society as a whole will further increase. We will devote ourselves to swiftly responding to these challenges for further growth. We would like to ask your continued support and cooperation.

## Specific Measures

### Quantitative Expansion

- **Expand clearing and settlement business**  
Provide clearing and settlement services for OTC derivatives trades
- **Strengthen information business**  
Develop new indexes and provide more market information

### Qualitative Enhancement

- **Protect the rights and interests of shareholders and investors**  
Strengthen assistance to enhance corporate governance of listed companies

# Derivatives Market

The TSE aims to quantitatively expand its derivatives market, and during the fiscal year ended March 2009 we concentrated on expanding the product lineup. In addition, we plan to introduce and upgrade systems to enhance the liquidity of options trading as we work vigorously to further develop the TSE's derivatives market.

## Expanding the Lineup of Derivatives Products

Numerous derivatives products are traded on the TSE derivatives market (Tdex), including index futures and options, equity options and Japanese government bond (JGB) futures and options.

The TOPIX futures market has grown steadily since its establishment in 1988, and today it features open interests and substantial liquidity, with financial institutions that make TOPIX a benchmark of their investment using its futures for purposes such as portfolio hedging. In addition, JGB Futures not only provide a means for hedging interest-rate risk, but are also useful as a leading indicator of long-term interest rates in Japan.

During the fiscal year ended March 2009, the TSE responded to a wide range of investors' needs by adding new derivatives products. On June 16, 2008, the TSE moved to meet the trading needs of individuals and other investors using small contracts by introducing mini-TOPIX Futures in a trading unit that is one-tenth that of standard TOPIX Futures. The tick size of a mini-TOPIX Future is half that of a standard TOPIX Future, and it is able to

reflect smaller price movements. Moreover, on the same day TOPIX Core30 Futures and TSE REIT Index Futures were introduced. The TOPIX Core 30 Index is composed of 30 stocks with large market capitalization and liquidity, and the TSE REIT Index is composed of 40 listed REITs. These instruments are now in use among various investors. Furthermore, on March 23, 2009 the TSE introduced mini 10-year JGB Futures, a trading unit of which is one-tenth that of standard 10-year JGB Futures. In this way, the TSE is focusing on broadening support from investors, including individual investors, in the JGB futures market.

## Upgrading IT Infrastructure and Trading Systems

In order to enhance the functionalities and liquidity in the options market, the TSE will introduce the new options trading system "Tdex+." In addition, a market-maker system will be introduced to further increase liquidity.

"Tdex+" is a new trading system for the options market that has been developed employing the trading system developed by Liffe, a subsidiary of NYSE Euronext and Europe's largest derivatives exchange. System performance





and capacity will be dramatically improved by the launch of Tdex+. Moreover, the TSE's new market-maker system will allow investors to find ask and bid prices easily, regardless of what option contracts they want to trade. Introduction of a market-maker system will make it easier to conduct options trading strategies such as spread trading and hedged trading, which will significantly enhance the convenience of the TSE derivatives market among multiple investor groups ranging from institutional investors such as hedge funds and pension funds to individual investors.



### Derivatives Product Lineup

	Existing	"mini" futures
Index futures	<ul style="list-style-type: none"> <li>• TOPIX Futures, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• mini-TOPIX Futures (new)</li> <li>• TOPIX Core30 Futures (new)</li> <li>• TSE REIT Index Futures (new)</li> </ul>
TOPIX options, marketable securities options	<ul style="list-style-type: none"> <li>• TOPIX options</li> <li>• Individual options</li> </ul>	
Bond futures and options	<ul style="list-style-type: none"> <li>• 10-year JGB Futures</li> <li>• Options on 10-year JGB Futures, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• mini 10-year JGB Futures (new)</li> </ul>

# Cash Equities Market

More than 2,300 companies are listed and actively traded in the TSE market, which secures the TSE's powerful position in the Japanese capital markets. Moreover, over the past several years the TSE has worked to increase listed products such as exchange traded funds (ETFs) and real estate investment trusts (REITs) to provide a variety of investment opportunities to investors, thus quantitatively expanding the TSE's cash markets.

## Enhancing the ETF Market

The TSE has been working to enhance its lineup of ETFs since the beginning of this fiscal year from the perspective of providing individual investors with expanded investment opportunities. This has involved promoting the establishment of new regulatory systems and modifying its listing system to allow the listing of a wide variety of ETFs. As a result, the number of ETFs listed on the TSE had increased to 61 (as of June 2009) from 34 as of March 31, 2008. Various ETFs have been listed on the TSE. ETFs based on domestic indexes include the Tokyo Stock Price Index (TOPIX) (TSE composite index), TOPIX Core 30 (30 stocks with the largest market capitalization and liquidity), TOPIX 17 series (TOPIX sector indexes) and TSE REIT Index (40 REITs).

The number of ETFs linked to overseas exchange indexes has been increasing since April 2008, with the listing of the Listed Index Fund China A Share (Panda) CSI300 tracking China's A-Shares, and the NEXT FUNDS Ibovespa Linked Exchange Traded Fund tracking Brazil's Bovespa index.

Listed ETFs linked to commodity prices or indexes include the SPDR® Gold Shares with gold as an underlying asset, and the EasyETF S&P GSCI™-Class A USD Unit, which tracks S&P GSCI™ Total Returns.

The first ETF linked to a bond index to be listed was

the ABF PAN ASIA BOND INDEX FUND. Recently, with increasing social responsibility investment, an ETF linked to the FTSE Japan Green Chip 35 Index composed of 35 environment-related stocks became the first theme-linked ETF listed in Japan.

These measures provide a wider variety of listed products to investors as the TSE aggressively works toward its goal of having 100 ETFs listed by the fiscal year ending March 2011.

## Launch of TOKYO AIM, a New Market for Professionals

TOKYO AIM, a new market for professional investors, was launched on June 1, 2009. TOKYO AIM was established to provide a marketplace for various companies from both Japan and overseas that offers relatively easier ways to raise capital as a result of the limitation of market participants to professionals.

TOKYO AIM is a joint venture with the London Stock Exchange Group plc. (LSE), which owns AIM, the world's largest market for growing companies, and it is designed to incorporate the know-how of London AIM.

A standout feature of TOKYO AIM is the Nominated Advisor (Nomad) system. TOKYO AIM approves and supervises the Japanese Nominated Advisors (J-Nomads),



which form an organization for examining company listings and providing post-listing support. This Nomad system is modeled on the one in use in London. Over its 15-year history, London AIM has appointed approximately 60 companies as Nomads. TOKYO AIM appointed six domestic securities companies as J-Nomads in June 2009.

Another defining feature of TOKYO AIM is that it accepts disclosure in English and also admits globally accepted accounting standards such as U.S. GAAP and International Financial Reporting Standards. Companies that are listed on the TSE's markets must provide timely disclosure and present documents to the TSE in Japanese, and must provide financial documentation using generally accepted Japanese accounting practices. Moreover, they are

responsible for submitting quarterly reports and documentation concerning their internal control system. However, the participants in TOKYO AIM are limited to professional investors. This requirement allows companies to avoid the constraints posed by the heavy responsibilities of a listing on the TSE, including language, accounting standards and submission of quarterly reports. As a result, this eases the listing process for companies that have excellent growth potential but hesitated to be listed because of information disclosure and other responsibilities.

TOKYO AIM has just gotten started. Going forward, it plans to grow steadily with the cooperation of J-Nomads and market participants by providing a marketplace for raising capital to growing companies in Japan and Asia that require risk capital.

## ETF Lineup

Base index	As of March 31, 2008	As of June 30, 2009
Japanese securities indexes	33	52
Overseas securities indexes	1 (Korean securities)	3 (Chinese Class A securities and Brazilian securities added) (new)
REITs	—	2 (TSE REIT indexes) (new)
Commodities	—	2 (Gold and commodities indexes) (new)
Theme-based	—	1 (Environmental business index)
Bonds	—	1 (Asian bonds)
Total	34	61

# IT Infrastructure

The TSE builds its business by integrating management and IT, and our IT Master Plan is our fundamental blueprint defining what we want to achieve using IT. Programs to upgrade IT during the fiscal year ending March 2010 include introducing a new options trading system and constructing a next-generation trading system to deftly handle increasingly diverse and sophisticated trading techniques and respond flexibly to the listing of new products.

## arrowhead



With new trading methodologies including DMA (Direct Market Access) and algorithmic trading in active use, reliable trading systems with fast processing speeds are essential to rank among the world's exchanges. The TSE therefore plans to launch its next-generation trading system "arrowhead" with high speed, reliability and scalability on January 4, 2010. All cash equity products will be traded through this new system. Particularly striking characteristics of the new system are its low latency with an order response period of 10 milliseconds or less, as well as high reliability for protecting trading information such as orders, executions, and order books by synchronized 3-node data back-up memory. These specifications place this new system at the highest level of exchange trading systems in the world. Putting arrowhead into operation will therefore solidify the TSE's strong position as an appealing securities market among investors worldwide.

## arrownet



Arrownet is a state-of-the-art network that will link users of TSE trading and quotation systems such as arrowhead. A new integrated ring network with two access points connected to the data center and a back-up site will enable both fast, high-volume data communication and operational continuity in case of disaster.

## Tdex+ System

Moving to strengthen the functions and liquidity of its options market, the TSE plans to introduce the new options trading system "Tdex+" for all of the options trading it handles, including equity, index and JGB options. Tdex+ employs the trading system developed by Liffe, a subsidiary of NYSE Euronext and Europe's largest derivatives exchange. The introduction of Tdex+ will substantially improve the order processing function and capacity compared with the current system. The associated launch of a new market-maker system is aimed at stimulating Tdex by securing liquidity.

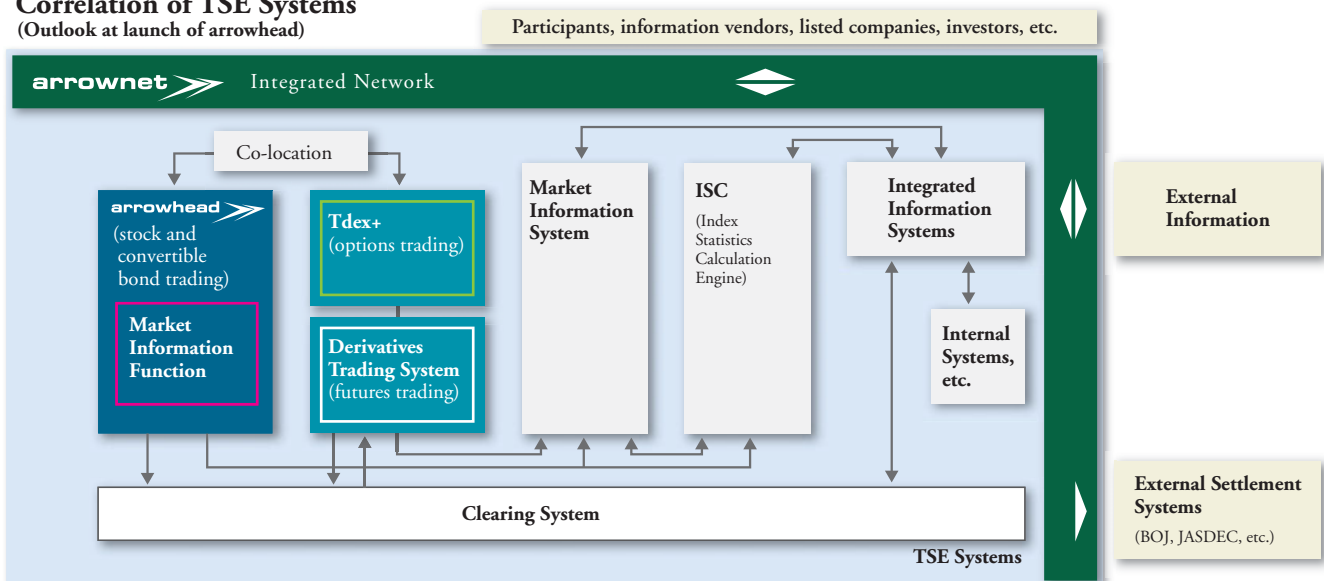


## Co-location Service

The “Tdex+” and “arrowhead” systems will feature higher capacity and throughput than current systems and will offer extremely rapid response time. Supported by the new arrownet network, the new systems will enable fast, high-volume data communication. Moreover, the demand for increased processing speed has also increased as applications with automated order placing functions have become popular among market users.

Responding to demand for even greater speed, the TSE will begin offering a “co-location service” that minimizes the latency between the devices of market users such as traders and the data centers of exchanges. This co-location service will enable maximum use of the trading systems the TSE is currently developing, which is expected to provide even greater liquidity to the market and enhanced convenience for investors.

### Correlation of TSE Systems (Outlook at launch of arrowhead)



# Listing System Improvements and Self-Regulatory Activities

The current financial crisis has increased demand among investors for an exchange that is transparent, safe and fair. The TSE has been working to ensure market fairness and reliability in order to protect the rights and interests of shareholders and investors by responding to their expectations with a market where more investors feel secure.

## Protecting the Rights and Interests of Shareholders

The TSE group has been working to comprehensively revise its listing system from the perspective of protecting and respecting shareholders and investors while supporting the enhancement of the corporate value and competitiveness of listed companies. In March 2008, we made our medium-term management plan policy, “Strive to protect the rights and interests of shareholders and investors,” a priority strategy and conducted environmental upgrades to enhance the corporate governance of listed companies.

In July 2008 we imposed fines for violation of listing regulations as a sanction stricter than a public announcement but less severe than delisting. In addition, we solicited opinions from investors in summer 2008. Their numerous opinions on third-party allotment, reverse stock splits and other topics were considered by the Advisory Group on Improvements to TSE Listing System, which was established in September 2006 with a membership including academics, listed companies, institutional investors and securities companies. The TSE group received the advisory group’s report in April 2009, and resolved in May to conduct improvements to its system.

These improvements enhance our Corporate Code of Conduct while significantly advancing our prior approach with the addition of delisting and other responses to corporate conduct that may be detrimental to shareholder interests.

An overview of the improvements follows.

## Creating a Better Environment Where Investors Feel Secure

- Third-party allotment by a listed company for which the dilution ratio, which is the ratio of the number of voting rights related to shares to be issued by the third-party allotment in question to the number of voting rights related to issued and outstanding shares before third-party allotment, exceeds 300 percent will result in delisting unless such dilution ratio is not deemed a significant infringement upon shareholder interests.
- When a third-party allotment by a listed company has resulted in a change in the controlling shareholders, the company will be delisted within three years after the third-party allotment transactions by the controlling shareholders if the transactions are deemed unsound and the cause of significant infringement upon the interests of shareholders and investors.
- A company will be delisted if it conducts a merger deemed detrimental to the interests of shareholders.

## System Improvement for Facilitating Dialogue between Shareholders and Listed Companies

- To create an environment that promotes easy access through means such as early notification of convocation of a general meeting of shareholders, a listed company shall promptly submit notification of convocation and other materials to the TSE and the TSE shall make them publicly available via its website and other media.

## Ensuring Market Fairness and Reliability

Tokyo Stock Exchange Regulation (TSE Regulation) is responsible for guaranteeing the fairness and reliability of the markets, which is akin to ensuring their quality. TSE Regulation monitors transactions to preclude losses among users in the event of unfair transactions by certain investors or inappropriate conduct by listed companies or securities companies, and implements rigorous measures if it discovers a problem. These activities are essential for maintaining the fairness and reliability of the TSE.

For example, TSE Regulation conducts surveillance of approximately 10 thousand transactions annually for market manipulation using its proprietary sampling system if indicators such as stock price and trading volume seem abnormal. TSE Regulation carries out these activities in close cooperation with the TSE, securities companies and listed companies.

In addition to market surveillance, TSE Regulation established a Compliance Learning Center called COMLEC in June 2008. It holds compliance seminars and provides educational tools for listed companies and securities firms in working to prevent the occurrence of unfair transactions.

### Outline of Measures for Third-Party Allotments

Item	Applicability	Outline of Response	Measures
Revision of Delisting Criteria	Over 300% Dilution	• Conduct an examination into whether or not the likelihood of impaired shareholders' interest is deemed negligible.	Delisting
	Change of Controlling Shareholder*	• Confirm the soundness of transactions with controlling shareholders.	
Newly Established Code of Corporate Conduct	Equal to/Over 25% Dilution, or Change of Controlling Shareholder*	• In principle, require the procedures in either a or b a. Receipt of the objective opinion of a person who has a specific degree of independence from the management b. Confirmation of the intent of shareholders such as resolutions of the general shareholder meetings	【Punitive Measures】 Public Announcement Listing Agreement Violation Penalty
Newly Established Rules regarding Timely Disclosure	Third-Party Allotments Overall	• Require timely disclosure for the items below. a. Confirmation of funding of the recipient of such allotment b. Calculation basis of issue price and a concrete explanation of such basis	【Improvement Measures】 Improvement Report “Securities on Alert”
Submission of Written Confirmation		• Require the submission of a written confirmation stating that the recipient of a third-party allotment is not under anti-social influences.	

\* “Controlling shareholder” refers to a parent company as well as an entity which holds a majority of the voting rights either directly or indirectly.

### Number of Examinations

	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	
	Surveillances	Investigations	Surveillances	Investigations	Surveillances	Investigations	Surveillances	Investigations	Surveillances	Investigations
Insider trading	10,595	218	8,371	154	9,972	249	8,685	220	11,464	228
Market manipulation	1,315	29	1,377	31	1,315	27	198	24	229	31
Others	266	10	365	5	308	7	417	9	576	6
Total	12,176	257	10,113	190	11,595	283	9,300	253	12,269	265

## 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. (the “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. The TSE ensures the independence of its self-regulatory activities by delegating it to TSE Regulation, which also gives the TSE group (Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc., Tokyo Stock Exchange Regulation and subsidiaries), 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, adopts 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 16 or fewer 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)**

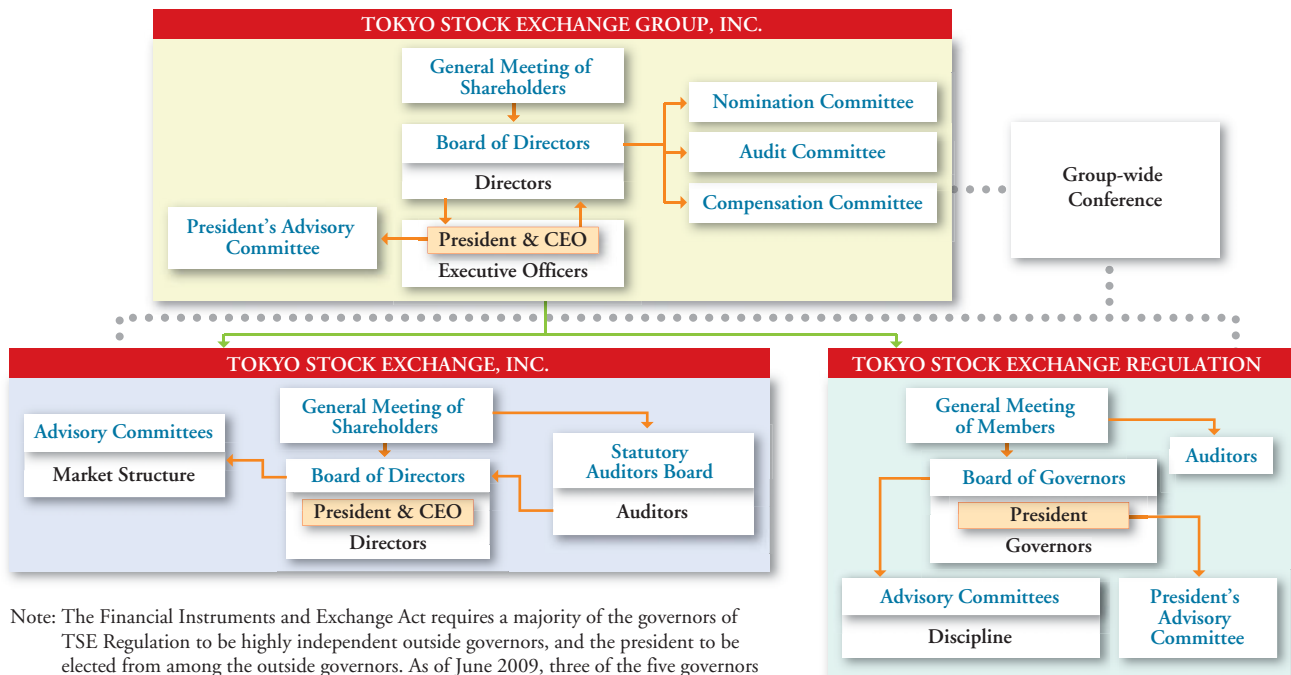
The TSE currently adopts an auditor system. The Statutory Auditors Board is composed of four individuals, including one standing statutory auditor and three outside auditors. The TSE has enhanced its auditor structure in ways such as requiring the Board to meet at least once a month in principle. In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

**Tokyo Stock Exchange Regulation (Self-regulatory organization)**

TSE Regulation was established to perform the self-regulatory activities delegated by the 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**



Note: The Financial Instruments and Exchange Act requires a majority of the governors of TSE Regulation to be highly independent outside governors, and the president to be elected from among the outside governors. As of June 2009, three of the five governors are outside governors.

# Board of Directors

## Tokyo Stock Exchange Group, Inc.

### Board of Directors



**Taizo Nishimuro**  
Chairman of the Board



**Atsushi Saito**  
President & CEO



**Hiroyuki Iwakuma**  
Executive Vice President  
& COO



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



**Yoshinari Hara**  
Chief Corporate Adviser  
Daiwa Securities Group  
Inc.



**Masakazu Hayashi**  
President  
Tokyo Stock Exchange  
Regulation



**Masayuki Hirose**  
Audit Mission Director



**Katsuhiko Honda**  
Advisor  
Japan Tobacco Inc.



**Toshiaki Katsushima**  
CPA, Tax Accountant



**Eiko Kono**  
Ex-President  
Recruit Co., LTD.



**Charles D. Lake II**  
Representative and  
Chairman  
Aflac Japan



**Hitoshi Maeda**  
Professor Emeritus  
Gakushuin University



**Oki Matsumoto**  
Representative Director,  
President & CEO  
Monex Group, Inc.



**Kunihiko Matsuo**  
Lawyer



**Hiroshi Okuda**  
Senior Advisor,  
Toyota Motor Corporation



**Satoshi Shiibashi**  
Standing Statutory Auditor  
Tokyo Stock Exchange, Inc.

## Tokyo Stock Exchange, Inc.

### Board of Directors

**Taizo Nishimuro**  
Chairman of the Board

**Atsushi Saito**  
President & CEO

**Hiroyuki Iwakuma**  
Senior Managing Director &  
COO

**Yoshinori Suzuki**  
Managing Director & CIO

**Tomoyoshi Uranishi**  
Managing Director

**Yoshinari Hara**

**Katsuhiko Honda**

**Eiko Kono**

**Charles D. Lake II**

**Hitoshi Maeda**

**Oki Matsumoto**

**Hiroshi Okuda**

### Auditors

Standing Statutory Auditor

**Satoshi Shiibashi**

Statutory Auditors

**Masayuki Hirose**

**Toshiaki Katsushima**

**Kunihiko Matsuo**

### Executive Officers

**Atsushi Saito**  
President & CEO

**Hiroyuki Iwakuma**  
Senior Managing Director & COO

**Yoshinori Suzuki**  
Managing Director & CIO

**Tomoyoshi Uranishi**  
Senior Executive Officer

**Hironaga Miyama**  
Senior Executive Officer

**Masaki Shizuka**  
Executive Officer

**Moriyuki Iwanaga**  
Executive Officer

**Yasuhiro Yoshida**  
Executive Officer

## Nomination Committee

- ◎ Taizo Nishimuro
- Hitoshi Maeda
- Hiroshi Okuda

## Audit Committee

- ◎ Satoshi Shiibashi
- Masayuki Hirose
- Toshiaki Katsushima
- Kunihiro Matsuo

## Compensation Committee

- ◎ Yoshinari Hara
- Katsuhiko Honda
- Taizo Nishimuro

Note: A double circle indicates the committee chairman

## Executive Officers

**Atsushi Saito**  
President & CEO

**Hiroyuki Iwakuma**  
Executive Vice President,  
COO

**Yoshinori Suzuki**  
Senior Executive Officer & CIO

**Tomoyoshi Uranishi**  
Senior Executive Officer

**Koichiro Miyahara**  
Senior Executive Officer

**Norio Iwasaki**  
Executive Officer & CFO

## Tokyo Stock Exchange Regulation

### Board of Governors

**Masakazu Hayashi**  
President

**Kiyoyuki Tsuchimoto**  
Standing Governor

**Taro Takeda**  
Standing Governor

**Tsuguoki Fujinuma**

**Atsushi Shimizu**  
Lawyer

### Auditors

Standing Auditor  
**Kenji Sato**

Auditor  
**Toshiaki Katsushima**

## Corporate Philosophy

To strive to create a sound market with a high level of reliability and convenience from the standpoint of investors and other market users, thereby contributing to the realization of a more prosperous society.

Our corporate philosophy clearly expresses our belief that we have a responsibility to society as a market operator to create a sound market with a high level of reliability and convenience, and to contribute to the realization of a more prosperous society. Our efforts to fulfill this responsibility include the following.

## Implementation of a Business Continuity Plan

The TSE group has defined the basic policy, system, and procedures for continuing business in situations where it becomes difficult for the TSE group to continue operations, and has compiled these into a Business Continuity Plan (BCP). The purpose of the BCP is to minimize the impact on stakeholders, including trading participants, listed companies, and investors, by continuing business activities to the greatest extent possible if an emergency situation arises, and thus improve confidence in the securities market of Japan. The BCP therefore serves to enhance the TSE market's reliability.

In addition, the TSE group conducts regularly scheduled tests to verify the effectiveness of the BCP along with practice drills in responding immediately to critical situations.

## Ensuring Reliable Settlement

Market participation among investors is largely contingent upon reliable settlement. Trade settlement is executed by Japan Securities Clearing Corporation (JSCC) even when the counterparty is in default, thus allowing clearing participants to conduct market transactions with confidence.

JSCC recovers losses arising from clearing participant default, using the four-layer safety net outlined below:

- Layer 1: Deposits of the defaulting clearing participant
- Layer 2: Loss compensation by each stock exchange
- Layer 3: JSCC shareholders' equity
- Layer 4: Mutual guarantee among clearing participants

## Initiatives to Enhance Financial Literacy

One element of the TSE group's efforts to disseminate knowledge of economics and finance is the TSE Academy, which provides courses for adults and educational programs for students and teachers. The objective of the TSE Academy is to contribute to the sustainable, prosperous development of society through investor education.

## Operating Results

### Operating Revenues

For the Tokyo Stock Exchange Group, Inc. and consolidated subsidiaries (the “TSE group”), **trading participant fees** comprise per capita fees; transaction fees, which are based on the trading value or volume of securities traded; access fees, which are based on the number of orders; and trading system facilities usage fees, which are based on the number of terminals and servers used by trading participants. Although this fee structure has been in place since April 2005, there was a transitional period in which the new system affected only 30% of operations in the first year and 60% in the second year.

For the fiscal year ended March 2009, the daily average trading value of stocks and other products decreased year on year. As a result, trading participant fees decreased 24.2% compared with the previous fiscal year to ¥26,205 million.

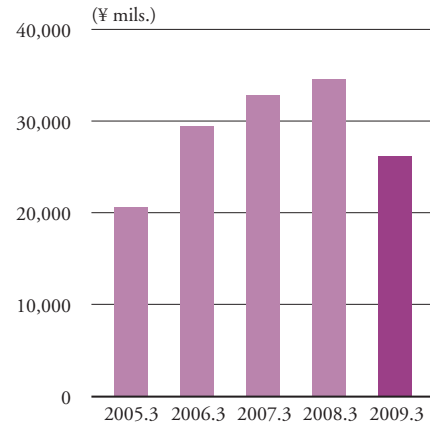
**Listing fees** comprise listing examination fees, initial listing fees, fees for issuing new shares and annual listing fees. During the fiscal year ended March 2009, listing fee income decreased 21.4% compared with the previous fiscal year to ¥8,073 million because the number of newly listed companies and market capitalization declined year on year.

**Income from information services** is derived from fees for market information services provided to information services vendors and others. During the fiscal year ended March 2009, information services income was ¥11,140 million, essentially unchanged year on year because income from real-time market information services was approximately the same as in the previous fiscal year.

**Income from securities settlement** is derived from fees for trade guarantees and other services provided by Japan Securities Clearing Corporation (JSCC), and securities custody and delivery services provided by Japan Securities Settlement & Custody, Inc. During the fiscal year ended March 2009, securities settlement income decreased 22.6% year on year to ¥10,612 million because clearing fees declined as a result of lower trading value of stocks and other products.

As of October 2006, the clearing fee structure associated with the cash market, including equities and other securities, changed from one that corresponds only to the value of obligation assumption to one that considers the number of trade guarantees under a fixed fee structure. Following a transitional period, full conversion to the new system was completed in October 2008.

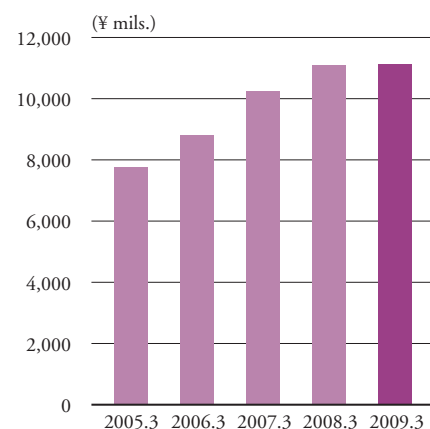
### Trading Participant Fees



### Listing Fees and Newly Listed Companies



### Income from Information Services



**Income from systems development and operations** comprises fees for system development and management provided by TOSHO SYSTEM SERVICE CO., LTD. During the fiscal year ended March 2009, systems development and operations income increased 195.8% year on year to ¥7,521 million because of income from projects related to Stock Dematerialization.

**Other operating income** increased 6.4 percent year on year to ¥3,539 million.

## Operating Expenses

**Salaries and compensation** decreased 2.1% compared with the previous fiscal year to ¥11,893 million.

**Real estate rental fees**, which include rental fees for the Tokyo Stock Exchange Building and systems development and operational facilities, increased 4.6% year on year to ¥6,486 million.

**System maintenance and operation costs**, which include maintenance and operation costs associated with trading, clearing and other systems, decreased 5.8% compared with the previous fiscal year to ¥8,711 million.

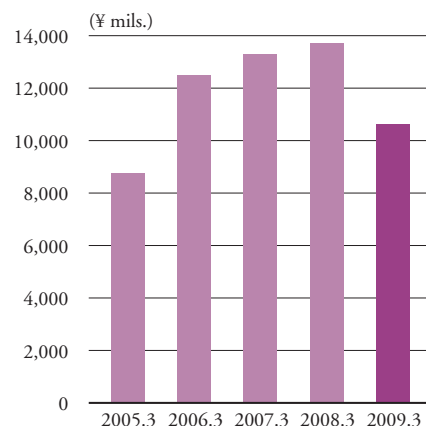
**Depreciation** expenses increased 16.2 percent year on year to ¥9,603 million due mainly to the increase in trading and clearing systems.

**System development costs**, which consist of costs associated with system development and operation by TOSHO SYSTEM SERVICE CO., LTD., totaled ¥8,386 million because of development costs associated with projects related to the implementation of Stock Dematerialization.

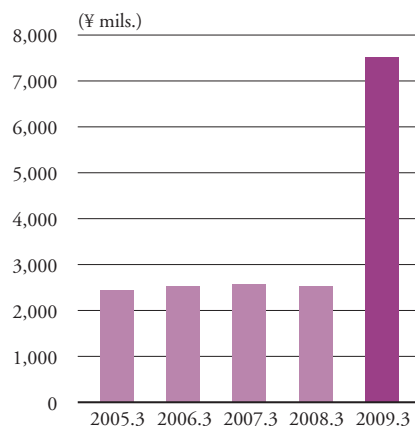
**Other operating expenses** decreased 27.8% year on year to ¥7,836 million.

As a result, for the fiscal year ended March 2009 **operating revenues** decreased 11.1% year on year to ¥67,090 million, **operating expenses** increased 13.3% year on year to ¥52,915 million, and **operating profit** decreased 50.8% year on year to ¥14,175 million. The TSE group also recognized a non-recurring loss on valuation of investments in securities in other income (expenses) totaling ¥20,768 million in connection with its investment in the shares of Singapore Exchange Limited. After income taxes, **net loss** for the fiscal year ended March 2009 therefore totaled ¥3,696 million.

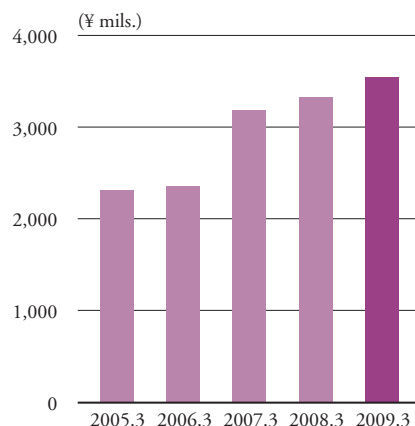
### Income from Securities Settlement



### Income from Systems Development and Operations



### Other Operating Income



	¥ mils.				
	2009.3	2008.3	2007.3	2006.3	2005.3
Operating revenues					
Trading participant fees.....	26,205	34,551	32,826	29,444	20,589
Listing fees .....	8,073	10,267	13,370	14,278	11,193
Income from information services.....	11,140	11,101	10,239	8,813	7,774
Income from securities settlement.....	10,612	13,718	13,288	12,474	8,756
Income from system development and operations ..	7,521	2,543	2,574	2,525	2,443
Other operating income.....	3,539	3,325	3,181	2,359	2,316
Total operating revenues.....	67,090	75,505	75,478	69,893	53,071
Operating expenses					
Salaries and compensation .....	11,893	12,152	11,352	11,175	11,624
Real estate rental fees.....	6,486	6,204	5,932	5,828	5,817
System maintenance and operation costs.....	8,711	9,252	7,648	9,789	9,337
Depreciation .....	9,603	8,266	7,444	6,414	7,965
Other operating expenses.....	7,836	10,844	10,086	7,936	6,968
Total operating expenses.....	52,915	46,718	42,462	41,142	41,711
Operating profit.....	14,175	28,787	33,016	28,751	11,360
Income (loss) before income taxes and minority interests .....	(5,851)	30,582	34,407	29,332	7,580
Net income (loss).....	(3,696)	17,701	19,985	18,833	4,978

## 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, Japan Securities Clearing Corporation records margin funds for derivatives and when-issued transactions, deposits for clearing funds and deposits as collateral for facilitating settlement received from clearing participants, and Tokyo Stock Exchange, Inc. records legal guarantee funds received from trading participants as both assets and liabilities. In addition, special assets for default compensation reserve funds are recorded as both assets and retained earnings.

**Total assets** as of March 31, 2009 decreased ¥40,513 million from a year earlier to ¥677,163 million. This change consisted mainly of a decrease in specified assets included in total assets from ¥568,188 million to ¥541,510 million and a decrease in investments in securities from ¥29,292 million to ¥16,764 million.

### Liabilities and Net Assets

**Total liabilities** as of March 31, 2009 decreased ¥36,826 million from a year earlier to ¥563,074 million, primarily due to a decrease in deposits and funds 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-

al 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 decreased ¥26,678 million from a year earlier to ¥524,142 million.

**Total equity** decreased ¥3,687 million from a year earlier to ¥114,089 million, reflecting the payment of dividends and the decrease in retained earnings due to the net loss for the fiscal year ended March 2009. 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 ¥38,932 million. Total equity after deducting special assets for default compensation reserve funds amounted to ¥96,721 million. The equity capital ratio, calculated as total equity less minority interests divided by total assets, was 69.5%, and net assets per share totaled ¥41,475.50.

**\* Default compensation reserve funds**

The TSE has an indemnity agreement with Japan Securities Clearing Corporation (JSCC) with regard to clearing operations for cash, futures and options transactions. In the event that JSCC suffers a loss caused by its participant's default and the loss is not fully covered by the defaulting participant's deposit to JSCC, the TSE (with other Exchanges for cash products) will compensate for the remaining loss up to the obligation amount set forth in the agreement. Therefore, the TSE maintains "Default compensation reserve funds," which correspond to the predetermined obligation amount, designed solely for the purpose of the above mentioned compensation.

The funds were recorded when the TSE demutualized from a membership organization in November 2001, taking over the role of funds that the TSE originally had collected and reserved from member securities firms for compensation in the event of a member's default. See notes 5 and 13 to the Consolidated Financial Statements.

## Cash Flow

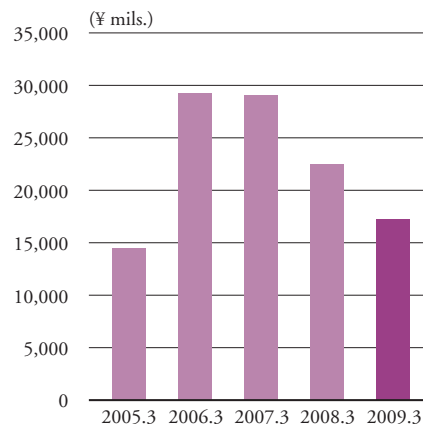
**Net cash provided by operating activities** totaled ¥17,235 million. The loss before income taxes and minority interests of ¥5,851 million for the fiscal year ended March 2009 on an accrual basis was mainly the result of a non-cash charge to earnings from loss on valuation of investment in securities totaling ¥20,768 million. On a cash basis, therefore, operating activities provided net cash after outlays including income taxes paid totaling ¥10,214 million. Depreciation totaled ¥10,017 million.

**Net cash used in investing activities** totaled ¥8,236 million, primarily because of acquisition of property and equipment and acquisition of intangible assets such as software.

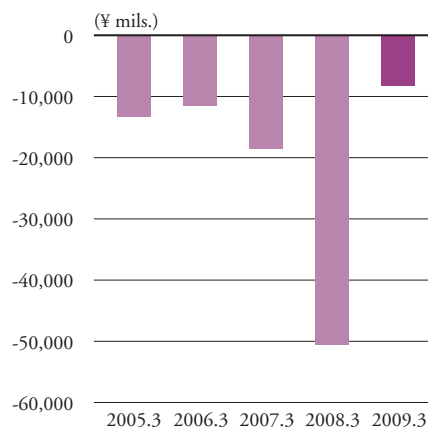
**Net cash used in financing activities** totaled ¥7,362 million. Uses of cash included dividends paid.

As a result, **cash and cash equivalents at the end of the year** increased ¥1,632 million from the beginning of the year to ¥37,199 million.

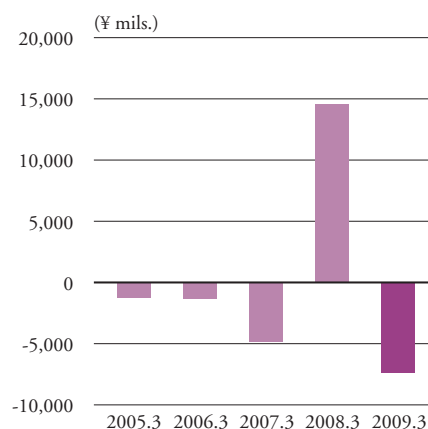
## Operating Activities



## Investing Activities



## Financing Activities



# Consolidated Balance Sheets

Tokyo Stock Exchange Group, Inc. and Subsidiaries

March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>CURRENT ASSETS:</b>			
Cash and bank deposits (Notes 3 and 14) .....	¥ 39,508	¥ 36,562	\$ 402,198
Marketable securities (Notes 3 and 4) .....	8,110	11,806	82,563
Accounts receivable—trade (Note 10) .....	4,541	5,853	46,224
Lease payment receivables .....	19		192
Inventories .....	40	3,494	411
Margin funds for derivatives and when-issued transactions (Note 14) .....	304,923	280,416	3,104,169
Deposits for clearing funds (Note 14) .....	206,769	222,631	2,104,948
Deposits as collateral for facilitating settlement (Note 14) .....	12,105	47,411	123,231
Deferred income taxes (Note 6) .....	367	1,174	3,734
Other current assets .....	3,989	891	40,621
Allowance for doubtful accounts .....	(9)	(5)	(93)
Total current assets .....	580,362	610,233	5,908,198
<b>PROPERTY AND EQUIPMENT:</b>			
Land .....	2,399	2,399	24,427
Buildings and structures .....	8,253	11,833	84,017
Other property and equipment (Note 9) .....	31,097	28,905	316,564
Construction in progress .....	23	174	236
Total property and equipment .....	41,772	43,311	425,244
Accumulated depreciation .....	(27,060)	(28,645)	(275,473)
Net property and equipment .....	14,712	14,666	149,771
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investments in securities (Note 4) .....	16,764	29,292	170,664
Investments in affiliated companies (Note 4) .....	4,623	4,479	47,061
Long-term loans .....	26	26	265
Legal guarantee funds (Note 14) .....	345	362	3,509
Special assets for default compensation reserve funds (Note 14) .....	17,368	17,368	176,807
Intangible assets—net .....	23,152	16,749	235,687
Deferred income taxes (Note 6) .....	8,514	6,427	86,675
Others (Note 7) .....	11,492	18,401	116,998
Allowance for doubtful accounts .....	(195)	(327)	(1,986)
Total investments and other assets .....	82,089	92,777	835,680
<b>TOTAL</b> .....	<b>¥677,163</b>	<b>¥717,676</b>	<b>\$6,893,649</b>

See notes to consolidated financial statements.



LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 5).....	¥ 17,570	¥ 19,570	\$ 178,866
Accounts payable—trade.....	2,791	3,587	28,413
Current portion of long-term lease obligations.....	19		192
Income taxes payable.....	1,154	6,240	11,748
Accrued bonuses.....	1,005	1,152	10,229
Accrued bonuses for directors.....	11	266	111
Margin funds received for derivatives and when-issued transactions (Note 14).....	304,923	280,416	3,104,169
Deposits received for clearing funds (Note 14).....	206,769	222,631	2,104,948
Deposits received as collateral for facilitating settlement (Note 14).....	12,105	47,411	123,231
Deposits received as trading participants guarantee (Note 14).....	4,573	4,450	46,553
Other current liabilities.....	1,846	3,268	18,803
Total current liabilities.....	552,766	588,991	5,627,263
<b>NON-CURRENT LIABILITIES:</b>			
Long-term lease obligations.....	42		429
Liability for retirement benefits for employees (Note 7).....	5,343	5,210	54,392
Allowance for loss on real estate rental contract.....	3,467	3,896	35,296
Returnable legal guarantee funds (Note 14).....	345	362	3,509
Other.....	1,111	1,441	11,317
Total non-current liabilities.....	10,308	10,909	104,943
Total liabilities.....	563,074	599,900	5,732,206
<b>COMMITMENT AND LIABILITIES (Notes 11 and 12)</b>			
<b>EQUITY (Notes 8 and 19):</b>			
Common stock—authorized, 9,200,000 shares at March 31, 2009 and 2008; issued 2,300,000 shares at March 31, 2009 and 2008.....	11,500	11,500	117,072
Capital surplus.....	25,359	25,359	258,158
Retained earnings.....	79,710	88,863	811,460
Treasury stock—at cost, 26,260 shares at March 31, 2009 and 2008.....	(4,333)	(4,333)	(44,110)
Total shareholders' equity.....	112,236	121,389	1,142,580
Revaluation and translation adjustments—unrealized loss on available-for-sale securities.....	(563)	(5,747)	(5,735)
Minority interests.....	2,416	2,134	24,598
Total equity.....	114,089	117,776	1,161,443
<b>TOTAL</b> .....	<b>¥677,163</b>	<b>¥717,676</b>	<b>\$6,893,649</b>

# Consolidated Statements of Operations

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>OPERATING REVENUES:</b>			
Trading participant fees .....	¥ 26,205	¥34,551	\$ 266,767
Listing fees.....	8,073	10,267	82,189
Income from information services .....	11,140	11,101	113,406
Income from securities settlement .....	10,612	13,718	108,028
Income from system development and operations (Note 10).....	7,521	2,543	76,562
Other operating income .....	3,539	3,325	36,037
Total operating revenues.....	67,090	75,505	682,989
<b>OPERATING EXPENSES (Notes 7 and 15) .....</b>	<b>52,915</b>	<b>46,718</b>	<b>538,685</b>
Operating profit .....	14,175	28,787	144,304
<b>OTHER INCOME (EXPENSES):</b>			
Interest income .....	277	252	2,824
Dividend income .....	1,347	1,522	13,711
Rent income .....		311	
Equity in earnings of affiliated companies.....	290	279	2,951
Gain from prior period adjustment.....	323	59	3,290
Income from delinquency charge.....	54		550
Interest expense .....	(115)	(112)	(1,170)
Rent expense.....	(286)	(384)	(2,915)
Organization costs .....		(81)	
Loss on disposal of property and equipment, and intangible assets (Note 16) .....	(598)	(152)	(6,085)
Loss on valuation of investments in securities .....	(20,768)		(211,423)
Special depreciation of property and equipment, and intangible assets.....		(351)	
Other—net.....	(550)	452	(5,603)
Other income (expenses)—net.....	(20,026)	1,795	(203,870)
<b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS.....</b>	<b>(5,851)</b>	<b>30,582</b>	<b>(59,566)</b>
<b>INCOME TAXES—Current (Note 6) .....</b>	<b>2,495</b>	<b>12,194</b>	<b>25,395</b>
<b>INCOME TAXES—Deferred (Note 6).....</b>	<b>(4,836)</b>	<b>248</b>	<b>(49,230)</b>
<b>MINORITY INTERESTS.....</b>	<b>(186)</b>	<b>(439)</b>	<b>(1,898)</b>
<b>NET INCOME (LOSS) .....</b>	<b>¥ (3,696)</b>	<b>¥17,701</b>	<b>\$ (37,629)</b>

	Yen		U.S. Dollars
	2009	2008	2009
<b>PER SHARE OF COMMON STOCK (Notes 2.q and 17):</b>			
Basic net income (loss) .....	¥(1,625.65)	¥7,785.04	\$ (16.55)
Cash dividends applicable to the year .....	300.00	2,400.00	3.05

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2009 and 2008

	Issued Number of Shares of Common Stock	Millions of Yen						
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Minority Interests	Total Equity
<b>BALANCE, APRIL 1, 2007</b> .....	2,300,000	¥11,500	¥22,875	¥76,164	¥ (740)		¥1,448	¥111,247
Net income.....				17,701				17,701
Cash dividends paid (¥2,200 per share).....				(5,002)				(5,002)
Gain on revaluation of treasury stock associated with the share transfer.....			2,484		(3,593)			(1,109)
Other changes.....						¥(5,747)	686	(5,061)
<b>BALANCE, MARCH 31, 2008</b> .....	2,300,000	11,500	25,359	88,863	(4,333)	(5,747)	2,134	117,776
Net loss .....				(3,696)				(3,696)
Cash dividends paid (¥2,400 per share).....				(5,457)				(5,457)
Other changes.....						5,184	282	5,466
<b>BALANCE, MARCH 31, 2009</b> .....	<b>2,300,000</b>	<b>¥11,500</b>	<b>¥25,359</b>	<b>¥79,710</b>	<b>¥(4,333)</b>	<b>¥ (563)</b>	<b>¥2,416</b>	<b>¥114,089</b>

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Minority Interests	Total Equity
<b>BALANCE, MARCH 31, 2008</b> .....	\$117,072	\$258,158	\$904,642	\$(44,110)	\$(58,506)	\$21,729	\$1,198,985
Net loss.....			(37,629)				(37,629)
Cash dividends paid (\$24.43 per share) .....			(55,553)				(55,553)
Other changes .....					52,771	2,869	55,640
<b>BALANCE, MARCH 31, 2009</b> .....	<b>\$117,072</b>	<b>\$258,158</b>	<b>\$811,460</b>	<b>\$(44,110)</b>	<b>\$ (5,735)</b>	<b>\$24,598</b>	<b>\$1,161,443</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>OPERATING ACTIVITIES:</b>			
Income (loss) before income taxes and minority interests .....	¥ (5,851)	¥ 30,582	\$ (59,566)
Depreciation .....	10,017	8,655	101,971
Loss on disposal of property and equipment and intangible assets .....	598	152	6,085
Decrease in allowance for doubtful accounts .....	(153)	(51)	(1,556)
Increase (decrease) in accrued bonuses .....	(147)	133	(1,499)
Increase (decrease) in accrued bonuses for directors .....	(255)	123	(2,599)
Decrease in allowance for loss on real estate rental contract .....	(428)	(218)	(4,362)
Increase (decrease) in liability for retirement benefits for employees .....	133	(224)	1,352
Equity in earnings of affiliated companies .....	(290)	(279)	(2,951)
Interest and dividend income .....	(1,624)	(1,774)	(16,535)
Interest expense .....	115	112	1,170
Loss on valuation of investments in securities .....	20,768		211,423
Increase in accounts receivable .....	1,313	861	13,364
Decrease (increase) in inventories .....	3,453	(2,986)	35,157
Increase (decrease) in accounts payable—trade .....	(796)	565	(8,107)
Other—net .....	(945)	(97)	(9,610)
Sub-total .....	25,908	35,554	263,737
Income taxes paid .....	(10,214)	(14,845)	(103,979)
Interest and dividends received .....	1,669	1,813	16,990
Interest paid .....	(128)	(99)	(1,302)
Net cash provided by operating activities .....	17,235	22,423	175,446
<b>INVESTING ACTIVITIES:</b>			
Acquisition of time deposits .....	(19,120)	(8,700)	(194,645)
Proceeds from refund of time deposits .....	18,700	9,600	190,370
Acquisition of marketable securities .....	(18,974)	(22,967)	(193,164)
Proceeds from sale of marketable securities .....	27,807	19,000	283,083
Acquisition of investments in securities .....	(592)	(37,480)	(6,027)
Proceeds from sale of affiliated company stocks .....		315	
Acquisition of property and equipment .....	(5,804)	(4,454)	(59,087)
Proceeds from sale of property and equipment .....	4	3	42
Acquisition of intangible assets .....	(11,158)	(5,822)	(113,587)
Proceeds from sale of intangible assets .....	32	12	327
Proceeds from transfer of business (Note 3) .....	232		2,362
Others .....	637	15	6,483
Net cash used in investing activities .....	(8,236)	(50,478)	(83,843)
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term debt .....	17,770	37,140	180,902
Repayment of short-term debt .....	(19,770)	(17,570)	(201,262)
Dividends paid .....	(5,457)	(5,002)	(55,553)
Other .....	95		972
Net cash provided by (used in) financing activities .....	(7,362)	14,568	(74,941)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS .....</b>			
	(5)	(45)	(53)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>1,632</b>	<b>(13,532)</b>	<b>16,609</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	<b>35,567</b>	<b>49,099</b>	<b>362,084</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3) .....</b>	<b>¥ 37,199</b>	<b>¥ 35,567</b>	<b>\$ 378,693</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Tokyo Stock Exchange Group, Inc. and Subsidiaries

Years Ended March 31, 2009 and 2008

## 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 are prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared as required by the Japanese Financial Instruments and Exchange Act and its related accounting regulations.

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 2008 financial statements to conform to the classifications used in 2009.

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 ¥98.23 to \$1, the approximate rate of exchange at March 31, 2009. 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, 2009 include the accounts of the TSE Group and six (five in 2008) subsidiaries listed below (together, hereinafter referred to as the “Companies”). TOKYO AIM, Inc. is newly established and was added to the TSE Group’s consolidated subsidiaries in the year ended March 31, 2009.

	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
Japan Securities Settlement & Custody, Inc. ....	Japan	100.0	300
TOSHO SYSTEM SERVICE CO., LTD. ....	Japan	80.0	100
Japan Securities Clearing Corporation .....	Japan	86.3	1,700
TOKYO AIM, Inc. ....	Japan	51.0	100

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 three affiliated companies are accounted for by the equity method.

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. Cash Equivalents**—Cash equivalents in the consolidated statements of cash flows are composed of bank deposits able to be withdrawn 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.

**c. 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 for the period.

**d. Inventories**—Prior to April 1, 2008, work in progress was valued using the specific cost method. On July 5, 2006, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories,” which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. There was no effect on the consolidated financial statements by the adoption of the standard for the year ended March 31, 2009.

**e. 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.

**f. Intangible Assets**—Software for internal use is amortized using the straight-line method over an estimated useful life, normally five years.

**g. Organization Costs**—Organization costs are charged to income as incurred.

**h. 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.

i. **Bonuses to Employees and Directors**—Bonuses to employees and directors are accrued at the year end at the amount expected to be paid.

j. **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. (the “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.

k. **Allowance for Loss on Real Estate Rental Contract**—Allowance for loss on real estate rental contracts is made against estimated future loss related to long-term real estate rental contracts.

l. **Leases**—On March 3, 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 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

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 should 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. There is no material effect on the consolidated financial statements by the adoption of the standard for the year ended March 31, 2009.

m. **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.

n. **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.

o. **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.

p. **Foreign Currency Translation**—All monetary assets and liabilities of

the Companies denominated in foreign currencies are translated into yen at the year-end rate. The resulting transaction gains or losses are charged or credited to income.

q. **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

(1) 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
	2009	2008	2009
Cash and bank deposits .....	¥39,508	¥36,562	\$402,198
Marketable securities .....	8,110	11,806	82,563
Time deposits with a maturity over three months .....	(8,220)	(2,801)	(83,682)
Held-to-maturity securities .....	(2,199)	(9,993)	(22,386)
Others .....		(7)	
Cash and cash equivalents .....	¥37,199	¥35,567	\$378,693

(2) The reconciliations between components of assets excluded following the transfer of business and proceeds from the transfer of business are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009		2009
Non-current assets .....	¥162		\$1,644
Assets decreased by the transfer .....	162		1,644
Others .....	70		718
Proceeds from transfer of business .....	¥232		\$2,362

### 4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

(1) Investments in securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Short-term:</b>			
Held-to-maturity securities .....	¥ 6,198	¥ 9,993	\$ 63,095
Available-for-sale securities .....	1,912	1,813	19,468
Total .....	¥ 8,110	¥11,806	\$ 82,563
<b>Long-term:</b>			
Held-to-maturity securities .....	¥ 996	¥ 1,496	\$ 10,144
Available-for-sale securities .....	15,768	27,796	160,520
Investments in affiliates .....	4,623	4,479	47,061
Total .....	¥21,387	¥33,771	\$217,725

(2) Held-to-maturity securities for which market values as of March 31, 2009 and 2008 are available as follows:

	Millions of Yen		
	2009		
	Carrying Amount	Fair Value Amount	Unrealized Gains
Held-to-maturity securities:			
Market value over book value—government bonds and municipal bonds.....	¥3,195	¥3,208	¥13
Market value less than book value—government bonds and municipal bonds.....	3,999	3,999	
Total .....	¥7,194	¥7,207	¥13

	Millions of Yen		
	2008		
	Carrying Amount	Fair Value Amount	Unrealized Gains (Losses)
Held-to-maturity securities:			
Market value over book value—government bonds and municipal bonds.....	¥ 2,495	¥ 2,502	¥ 7
Market value less than book value—government bonds and municipal bonds.....	8,994	8,993	(1)
Total .....	¥11,489	¥11,495	¥ 6

	Thousands of U.S. Dollars		
	2009		
	Carrying Amount	Fair Value Amount	Unrealized Gains (Losses)
Held-to-maturity securities:			
Market value over book value—government bonds and municipal bonds.....	\$32,530	\$32,660	\$130
Market value less than book value—government bonds and municipal bonds.....	40,709	40,707	(2)
Total .....	\$73,239	\$73,367	\$128

(3) Available-for-sale securities for which market values as of March 31, 2009 and 2008 are available as follows:

	Millions of Yen		
	2009		
	Acquisition Cost	Carrying Amount	Unrealized Losses
Available-for-sale securities:			
Market value less than book value—stocks .....	¥16,712	¥15,762	¥(950)
Total .....	¥16,712	¥15,762	¥(950)

	Millions of Yen		
	2008		
	Acquisition Cost	Carrying Amount	Unrealized Losses
Available-for-sale securities:			
Market value over book value—stocks .....	¥ 7	¥ 7	
Market value less than book value—stocks .....	37,480	27,790	¥(9,690)
Total .....	¥37,487	¥27,797	¥(9,690)

Available-for-sale securities:

	Thousands of U.S. Dollars		
	2009		
	Acquisition Cost	Carrying Amount	Unrealized Losses
Available-for-sale securities:			
Market value less than book value—stocks .....	\$170,132	\$160,462	\$(9,670)
Total .....	\$170,132	\$160,462	\$(9,670)

Available-for-sale securities:

	Thousands of U.S. Dollars		
	2009		
	Acquisition Cost	Carrying Amount	Unrealized Losses
Available-for-sale securities:			
Market value less than book value—stocks .....	\$170,132	\$160,462	\$(9,670)
Total .....	\$170,132	\$160,462	\$(9,670)

(4) Details of securities without market quotation are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
	Available-for-sale securities:		
Unlisted equity securities, excluding over-the-counter stock ...	¥ 6	¥ 6	\$ 58
Free financial fund .....	1,912	1,806	19,468
Total .....	¥1,918	¥1,812	\$19,526

(5) Redemption schedules of held-to-maturity securities or available-for-sale securities with a maturity date as of March 31, 2009 are as follows:

	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.....	¥6,198	¥996	\$63,095	\$10,144

## 5. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2009 consisted of borrowings from banks. The annual interest rate applicable to the short-term bank loans was 0.7% at March 31, 2009.

## 6. 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, 2009 and 2008.

Significant components of the Companies' deferred income tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Liability for retirement benefits for employees .....	¥ 844	¥ 531	\$ 8,588
Accrued bonuses .....	414	467	4,213
Allowance for doubtful accounts .....	6	34	57
Depreciation and amortization .....	102	140	1,039
Allowance for loss on real estate rental contract .....	1,411	1,585	14,362
Unrealized gain on fixed assets .....	105	34	1,071
Accrued enterprise tax .....		632	
Unrealized loss on available-for-sale securities .....	386	3,943	3,935
Tax loss carryforwards .....	5,496		55,955
Other .....	439	348	4,470
Sub-total .....	9,203	7,714	93,690
Less—valuation allowance .....	(200)	(113)	(2,039)
Total deferred tax assets .....	9,003	7,601	91,651
Deferred tax liabilities:			
Enterprise tax receivable .....	(122)		(1,242)
Total deferred tax liabilities ..	(122)		(1,242)
Net deferred tax assets .....	¥8,881	¥7,601	\$90,409

As the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2009 and 2008 is less than 5% of the statutory tax rate, the reconciliation is omitted.

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥13,529 million (\$137,729 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Year ending March 31—2017 .....	¥13,529	\$137,729

## 7. LIABILITY FOR RETIREMENT BENEFITS FOR EMPLOYEES

The TSE Group has 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, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligations .....	¥(21,424)	¥(21,217)	\$ (218,099)
Plan assets .....	14,045	17,404	142,978
Unfunded benefit obligations .....	(7,379)	(3,813)	(75,121)
Unrecognized prior service costs ..	(3,098)	(3,716)	(31,543)
Unrecognized actuarial differences ..	5,120	2,367	52,131
Unrecognized transition amount ...	3,414	3,983	34,753
Accrued pension costs .....	(1,943)	(1,179)	(19,780)
Prepaid pension costs .....	3,400	4,031	34,612
Liability for retirement benefits ...	¥ (5,343)	¥ (5,210)	\$ (54,392)

The net pension costs relating to retirement benefits for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost .....	¥ 676	¥ 582	\$ 6,882
Interest cost .....	462	461	4,703
Expected return on plan assets .....	(435)	(468)	(4,429)
Amortization of unrecognized prior service costs .....	(618)	(618)	(6,287)
Amortization of unrecognized actuarial differences .....	472	217	4,805
Amortization of transition adjustment .....	569	569	5,792
Other .....	62	59	628
Net pension costs .....	¥1,188	¥ 802	\$12,094

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

	2009	2008
Discount rate .....	2.2%	2.2%
Expected rate of return on plan assets .....	2.5%	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 transition adjustment ...	15 years	15 years
Amortization of unrecognized actuarial differences .....	10 years	10 years

## 8. EQUITY

Since May 1, 2006, Japanese companies have been subject to a new 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, which were previously presented as a liability, are now 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.

## 9. 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.

As discussed in Note 2, the Company accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information, on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

#### (1) Lessee Lease (Finance Lease)

(a) Acquisition cost, accumulated depreciation and net book value are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2009	Balance as of March 31, 2009	2009
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2009	Balance as of March 31, 2009
Tools, furniture and fixtures.....	¥2,160	¥1,281	¥879	\$8,948

	Millions of Yen		
	2008		
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2008
Tools, furniture and fixtures.....	¥2,389	¥936	¥1,453

(b) Outstanding future lease payments as of March 31, 2009 and 2008 including the interest portion thereon, categorized by contractual maturity are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year.....	¥477	¥ 550	\$4,856
Due over one year .....	433	932	4,406
Total .....	¥910	¥1,482	\$9,262

(c) Lease payments, depreciation expense and interest expense amounts are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease payments .....	¥582	¥489	\$5,926
Depreciation expense amount .....	543	457	5,531
Interest expense amount .....	41	39	413

(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) Lessee Lease (Operating Lease)

Outstanding future lease payments as of March 31, 2009 and 2008 for non-cancelable operating leases, categorized by contractual maturity are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year.....	¥2	¥1	\$16
Due over one year .....			7
Total .....	¥2	¥1	\$23

#### (3) Lessor Lease (Finance Lease)

(a) Acquisition cost, accumulated depreciation and net book value are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2009	Balance as of March 31, 2009	2009
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2009	Balance as of March 31, 2009
Leased assets.....	¥650	¥619	¥31	\$316

	Millions of Yen		
	2008		
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2008
Leased assets.....	¥800	¥670	¥130

(b) Outstanding lease payments receivable as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year .....	¥ 564	¥ 730	\$ 5,743
Due over one year .....	473	1,070	4,817
Total .....	¥1,037	¥1,800	\$10,560

The above balances include lease payments receivable arising from sub-lease transactions of ¥910 million (\$9,262 thousand) of which ¥477 million (\$4,857 thousand) is due within one year as of March 31, 2009 and ¥1,482 million of which ¥550 million is due within one year as of March 31, 2008. 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 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease revenue .....	¥140	¥253	\$1,430
Depreciation .....	85	171	862
Interest income amount .....	8	19	78

(d) Allocation of interest income amount

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

## 10. RELATED PARTY TRANSACTIONS

Material transactions of the Companies with related companies or individuals, excluding transactions with consolidated subsidiaries (which are eliminated in the consolidated financial statements), for the year ended March 31, 2009 are as follows:

### Related Company

Name of Related Party	Address	Paid-in Capital	Principal Business	Percentage of Equity Ownership by the Company	Relationship		Transactions			End of Period Account Balance
					Directors Holding Concurrent Positions	Business Relationship	Description of the Company's Transaction	Amount of Transactions	Account	
Japan Securities Depository Center, Inc. (an affiliated company)	Chuo-ku, Tokyo	¥4,250 million	Securities deposit and transfer	Directly holds 22.4%	—	Secondment of employees of the Company	Trustee of system development and operations	¥7,510 million (\$7,450 thousand)	Accounts receivable—trade	¥185 million (\$1,888 thousand)

Notes: 1. The above transaction amounts exclude consumption taxes, but consumption taxes are included in the end of period balances.

2. The above transaction was concluded with the general terms and conditions that are identical to ones with independent third parties.

## 11. LIABILITIES FOR GUARANTEES

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Guarantees for housing loans from banks for employees .....	¥3,784	¥4,154	\$38,521
Guarantees for loans from banks for ICJ, Inc. ....	100	100	1,018

## 12. PENDING LEGAL MATTER

The TSE is currently in dispute with Mizuho Securities Co., Ltd. who filed the lawsuit against the TSE seeking compensation for the loss of approximately ¥41.5 billion caused by erroneous trades of J-COM Co., Ltd., which took place on December 8, 2005.

## 13. ORGANIZATIONAL CHANGES

**a. Share Transfers**—The TSE established the TSE Group on August 1, 2007 as a holding company of the TSE by the way of a share transfer upon the approval at the ordinary general meeting of shareholders held on June 22, 2007.

The purpose and outline of the establishment of the holding company are as follows:

(a) Purpose of the establishment of the holding company

The TSE was acutely aware of the necessity to avoid conflicts of interest arising between its stake as a business entity and its need, as a self-regulatory organization to ensure the fairness of the market while maintaining its overall effectiveness. It also recognized that it must prepare to respond appropriately to the trend of mergers and acquisitions of the exchanges on the horizon in Asia. Accordingly, it set up a market operation company and a self-regulatory corporation under the umbrella of a newly established holding

company in order to achieve the following three objectives: (1) to strengthen the independence of self-regulatory function; (2) to ensure the effectiveness of such function; (3) to increase the level of freedom for developing international business strategies.

(b) Outline of the share transfer

- (1) Corporate Name of the Holding Company  
Tokyo Stock Exchange Group, Inc.
- (2) Head Office Location of the Holding Company  
2-1, Nihombashi-kabutocho, Chuo-ku, Tokyo
- (3) Type and Total Number of Shares Outstanding in the Holding Company  
Common stock—2,300,000 shares
- (4) Common Stock Amount  
¥11,500 million
- (5) Share Transfer Ratio  
For each share of common stock of the TSE, 1 share of common stock of the holding company was allotted.
- (6) Basis for the Determination of the Share Transfer Ratio  
Because the holding company was established through the transfer of shares from the TSE and the shareholder composition of the existing TSE and the newly established holding company was not changed at the time of the transfer, the ratio was 1 to 1.
- (7) Share Transfer Date  
August 1, 2007

(c) Accounting for the transaction

The share transfer is a transaction under common control pursuant to the “Accounting Standard for Business Combinations” (Business Accounting Council, October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ, Guidance on Accounting Standards No. 10, December 22, 2006). Accordingly, the transaction is treated as an internal transaction in the consolidated financial statements and no effect is given.

**b. Company Separation**—Pertaining to the shares of JSCC and Japan Securities Depository Center, Inc. (“JASDEC”) held by the TSE, a resolution was passed at the general meeting of shareholders held on September 25, 2007 to effectuate a company separation on October 1, 2007 which made the Company the parent of JSCC and JASDEC as an equity investee.

(a) Purpose of the company separation

JSCC, a subsidiary of the TSE and JASDEC, an affiliate of the TSE have a highly public nature and represent the infrastructure of the entire securities market, which is intimately linked to the business of the TSE. Therefore, in order to proceed with the formulation of the holding company framework, these two companies were directly held by the Company like the TSE as a part of the organizational structure changes.

(b) Separation method

Absorption-type company separation without an absorption-type reorganization value (Item 36(b), Paragraph 3, Article 2 of the Corporate Accounting Rules) assigned.

(c) Outline of parties concerned in the separation (as of September 30, 2007)

Name	Tokyo Stock Exchange Group, Inc. (successor company)	Tokyo Stock Exchange, Inc. (separating company)
Description of Business	<ul style="list-style-type: none"> <li>• Management of financial instruments exchanges</li> <li>• Management of a self-regulatory corporation and other business ancillary to the above</li> </ul>	<ul style="list-style-type: none"> <li>• To provide market facilities for securities trading, derivatives trading, publicize market quotations, ensure fairness of securities trading, etc., and other business regarding provision of the exchange securities market</li> <li>• Other business ancillary to the above</li> </ul>
Head Office	2-1, Nihombashi-kabutocho, Chuo-ku, Tokyo	2-1, Nihombashi-kabutocho, Chuo-ku, Tokyo
Common Stock Amount	¥11.5 billion	¥11.5 billion
Number of Shares Outstanding	2,300,000 shares	2,300,000 shares

(d) Details of the separated share

JSCC

Separated asset item: Common share—25,890 shares

JASDEC

Separated asset item: Common share—1,855 shares

(e) Accounting for the transaction

The company separation is a transaction under common control pursuant to the “Accounting Standard for Business Divestitures” (ASBJ, Accounting Standard No. 7, December 27, 2005) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ, Guidance on Accounting Standards No. 10, December 22, 2006). Accordingly the transaction is eliminated as an internal transaction in the consolidated financial statements for the year ended March 31, 2008.

c. **Establishment of the Self-regulatory Corporation**—The board of directors of the Company passed a resolution at its meeting held on September 25, 2007 to establish a self-regulatory corporation as stipulated in the Financial Instruments and Exchange Act. At the inaugural general meeting held on October 17, 2007, “Tokyo Stock Exchange Regulation (the “Corporation”)” was established.

(a) Purpose of the establishment

- To ensure the independence of self-regulatory operations through the formulation of a framework whereby self-regulatory operations in the TSE, a subsidiary of the Company, can be delegated to another organization.
- To ensure effectiveness of self-regulatory operations by appropriately coordinating the operations of the exchange and the self-regulatory corporations under the umbrella of the Company.

(b) Outline of the newly established self-regulatory corporation

**Name:** Tokyo Stock Exchange Regulation  
**Establishment Date:** October 17, 2007  
**Head Office:** 2-1, Nihombashi-kabutocho, Chuo-ku, Tokyo  
**Common Stock Amount:** ¥3 billion  
**Contributor (Member):** Tokyo Stock Exchange Group, Inc.  
**Description of Business:**

1. The Corporation shall conduct the self-regulatory operations listed in each of the following items upon the entrustment of the operations by financial instruments exchange(s):

- (1) Operations relating to listing and delisting of financial instruments, financial indicators or options (hereinafter referred to as the “financial instruments, etc.”) provided by the entrusting financial instruments exchange(s) (excluding operations relating to listing and delisting of the financial instruments, etc. for specified market derivatives trading (meaning market derivatives trading where the issue(s) of financial instruments for such market derivatives transactions are specified in the Business Regulations and other rules and regulations of the entrusting financial instruments exchange(s). The same shall be applied hereinafter.))
- (2) Inspections on trading participants or members of the entrusting financial instruments exchange(s) (hereinafter referred to as the “trading participants, etc.”) about their compliance with laws and regulations, disposition by the administrative agencies based on laws and regulations, the articles of incorporation and any other rules of the entrusting financial instruments exchange(s), or the fair and equitable principle of trading
- (3) Detailed examinations of securities trading or market derivatives trading carried out by the trading participants, etc. in the exchange financial instruments market (excluding examination instantaneously carried out for expediting securities trading or market derivatives trading in the exchange financial instruments market)
- (4) Examination of qualifications of the trading participants, etc.
- (5) Operations related to disposition and any other measures against the trading participants, etc.
- (6) Examinations on information disclosure by the issuer of

listed securities with regard to the issuer, and operations regarding disposition and other measures to be taken against the issuer of listed securities

- (7) Drawing-up, amendments, or abolition of the Business Regulations and other rules of the entrusting financial instruments exchange(s) listed in each of the preceding items (hereinafter referred to as the “Specified Self-Regulatory Operations”) (excluding criteria for listing and delisting of financial instruments, etc. as well as criteria for granting qualifications of the trading participants, etc.)
- (8) Preparation of the summary of proposals for a general meeting or a general shareholders meeting of the entrusting financial instruments exchange pertaining to any amendment to the articles of incorporation of the entrusting financial instruments exchange concerning the Specified Self-Regulatory Operations (excluding amendments to the articles of incorporation concerning criteria for listing and delisting of financial instruments, etc. and criteria for granting qualifications of the trading participants, etc.)

2. The Corporation shall give consent to the financial instruments exchange concerning amendment or abolition of the Self-Regulatory Operations related matters provided by the Business Regulations and other rules of the entrusting financial instruments exchange, pursuant to the provisions of laws and regulations, give advices, if it deems necessary, on measures that should be taken against the entrusting financial instruments exchange, and conduct operations incidental to the operations listed in each of the preceding items.

(c) Accounting for the transaction

The establishment of the self-regulatory corporation is a common control transaction pursuant to the “Accounting Standard for Business Divestitures” (ASBJ, Accounting Standard No. 7, December 27, 2005) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ, Guidance on Accounting Standards No. 10, December 22, 2006). Accordingly the transaction is eliminated as an internal transaction in the consolidated financial statements for the year ended March 31, 2008.

## 14. ASSETS AND LIABILITIES FOR HEDGING RISKS OF SECURITIES TRADING

- (a) The TSE and JSCC have a system including receiving deposits for clearing funds, in order to hedge the risks of securities trading according to laws, regulations and internal rules. Assets deposited to the Companies in accordance with the system are determined 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, 2009 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Margin funds for when-issued transactions .....	¥ 90	\$ 911
Margin funds for derivatives .....	960,602	9,779,107
Deposits for clearing funds .....	165,618	1,686,027
Deposits as collateral for facilitating settlement .....	121,149	1,233,320

(c) The 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, 2009 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Legal guarantee funds .....	¥1,270	\$12,930

(d) In addition, the TSE receives guarantees from the trading participants so as to hedge TSE’s risk caused by the participants’ 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 participants guarantee.”

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, 2009 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Deposits received as trading participants guarantee .....	¥3,188	\$32,451

(e) In addition, the TSE has concluded a loss compensation contract with JSCC with respect to clearing of security, future and option transactions. According to this contract, the TSE will compensate JSCC for losses incurred due to default of 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, the TSE has maintained the compensation limitation amount and stated as special assets for default compensation reserve funds for ¥17,368 million (\$176,807 thousand) as of March 31, 2009 and 2008, respectively, in the accompanying consolidated balance sheets.

## 15. DETAILS OF OPERATING EXPENSES

The following are the major elements of “operating expenses” for the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Salaries .....	¥7,546	¥7,834	\$76,818
Bonus allowance .....	955	1,181	9,726
Directors’ bonus allowance .....	11	269	111
Pension costs .....	1,083	715	11,027
System maintenance and operation costs .....	8,711	9,252	88,683
Real estate rental fees .....	6,486	6,204	66,029
Depreciation .....	9,603	8,266	97,765

## 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, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Buildings and structures .....	¥ 28	¥ 78	\$ 284
Other property and equipment ..	360	37	3,662
Other intangible assets .....	210	37	2,139
Total .....	¥598	¥152	\$6,085

## 17. 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, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net income (loss) .....	¥(3,696)	¥17,701	\$(37,629)
Less components not pertaining to common shareholders .....			
Net income (loss) pertaining to common stock .....	¥(3,696)	¥17,701	\$(37,629)
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.

## 18. SEGMENT INFORMATION

### (1) Business Segment

For the year ended March 31, 2008, this information was not required to be disclosed because the revenue from operations, operating income and total assets for the stock exchange segment exceeded 90% of consolidated revenue from operations, operating income and total assets, respectively.

However, this information is disclosed beginning with the year ended March 31, 2009, because of the growth of information system development and operations.

The business segment information is presented under the following two categories:

- Financial instruments exchange operations, which include the establishment of instruments exchange markets and the clearing and settlement of securities
- System development and operations, which include developing, maintaining and operating the information system

	Millions of Yen				
	2009				
	Financial Instruments Exchange Operations	System Development and Operations	Total	Eliminations/Corporate	Consolidated
Operating revenue and operating profit:					
Operating revenue to outside customer .....	¥59,566	¥7,524	¥67,090		¥67,090
Intersegment operating revenue .....	4	2,075	2,079	¥(2,079)	
Total .....	59,570	9,599	69,169	(2,079)	67,090
Operating expenses .....	46,206	8,786	54,992	(2,077)	52,915
Operating profit.....	¥13,364	¥ 813	¥14,177	¥ (2)	¥14,175

	Millions of Yen				
	2009				
	Financial Instruments Exchange Operations	System Development and Operations	Total	Eliminations/Corporate	Consolidated
Assets, depreciation and capital expenditures:					
Assets .....	¥673,959	¥3,544	¥677,503	¥(340)	¥677,163
Depreciation .....	9,661	4	9,665	(33)	9,632
Capital expenditures .....	16,860	634	17,494		17,494

	Thousands of U.S. Dollars				
	2009				
	Financial Instruments Exchange Operations	System Development and Operations	Total	Eliminations/Corporate	Consolidated
Operating revenue and operating profit:					
Operating revenue to outside customer .....	\$606,392	\$76,597	\$682,989		\$682,989
Intersegment operating revenue .....	41	21,121	21,162	\$(21,162)	
Total .....	606,433	97,718	704,151	(21,162)	682,989
Operating expenses .....	470,381	89,442	559,823	(21,138)	538,685
Operating profit.....	\$136,052	\$ 8,276	\$144,328	\$ (24)	\$144,304

	Thousands of U.S. Dollars				
	2009				
	Financial Instruments Exchange Operations	System Development and Operations	Total	Eliminations/Corporate	Consolidated
Assets, depreciation and capital expenditures:					
Assets .....	\$6,861,030	\$36,077	\$6,897,107	\$(3,458)	\$6,893,649
Depreciation .....	98,351	38	98,389	(333)	98,056
Capital expenditures .....	171,640	6,454	178,094		178,094

### (2) Geographic Information

The TSE Group has no overseas consolidated subsidiaries for the years ended March 31, 2009 and 2008.

### (3) Net Sales—Overseas

For the years ended March 31, 2009 and 2008, this information is not required to be disclosed because overseas sales do not exceed 10% of consolidated revenue.

## 19. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's board of directors meeting held on May 19, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥300 (\$3.05) per share .....	¥682	\$6,944

# 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, 2009 and 2008, and the related consolidated statements of operations, 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, 2009 and 2008, 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.

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.



June 24, 2009

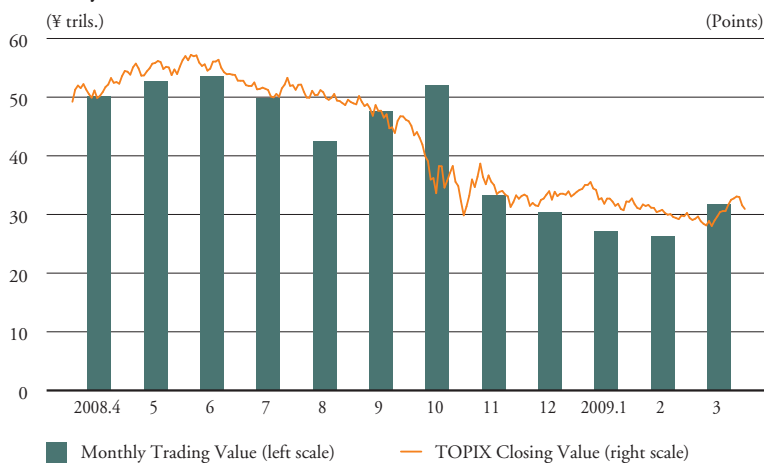
## Trading Value of Stocks

(monthly)

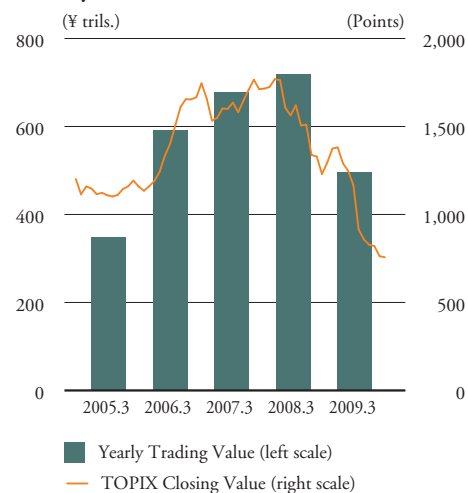
	Daily Average Trading Value (¥ mils.)		Total	
	Auction Trades	ToSTNeT Market	Trading Value (¥ mils.)	Trading Volume (thous. shares)
2008.4	2,248,538	137,804	50,113,172	41,587,310
5	2,474,847	162,201	52,740,964	45,144,103
6	2,373,878	175,780	53,542,800	48,298,646
7	2,127,491	137,034	49,819,534	45,382,541
8	1,909,054	119,623	42,602,217	40,351,707
9	2,235,718	144,902	47,612,401	45,365,162
10	2,228,050	136,461	52,019,243	62,582,645
11	1,721,904	130,523	33,343,682	42,421,657
12	1,343,079	102,411	30,355,284	41,083,370
2009.1	1,333,753	92,692	27,102,438	39,475,075
2	1,279,282	109,642	26,389,559	41,099,588
3	1,391,754	121,787	31,784,350	49,312,525
<b>(fiscal year)</b>				
2005.3	1,300,642	124,898	349,257,202	400,420,884
2006.3	2,216,728	187,744	591,499,973	588,554,019
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

## TOPIX and Trading Value of Stocks

(monthly)



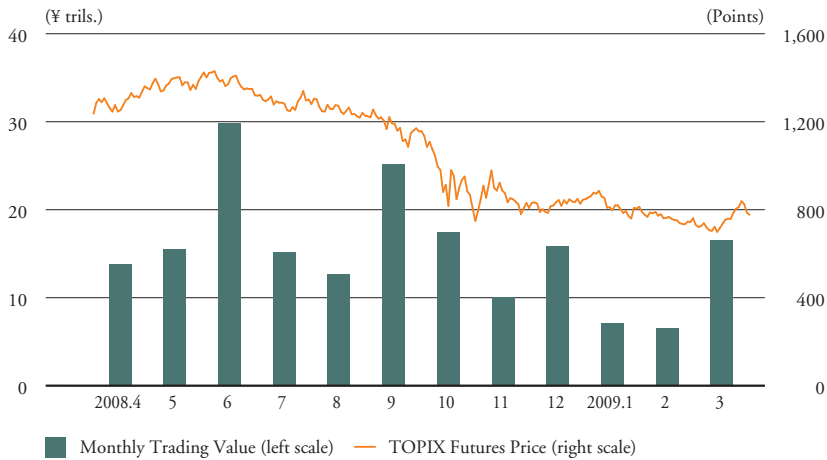
(fiscal year)



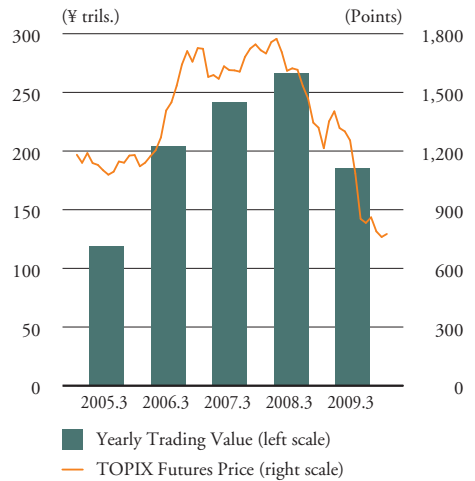


## Stock Price Index Futures

(monthly)

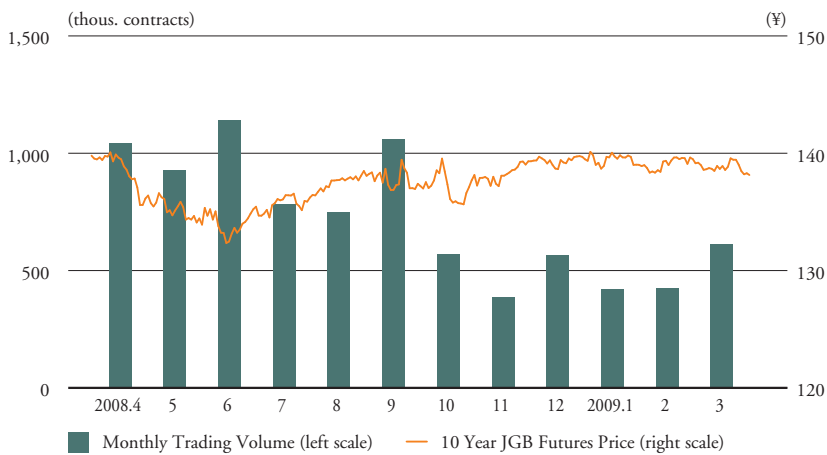


(fiscal year)

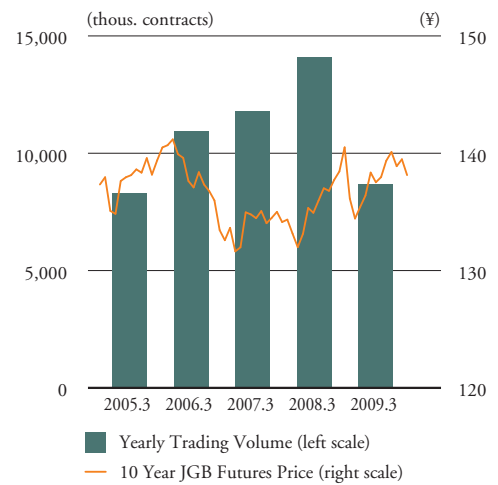


## Japanese Government Bond Futures

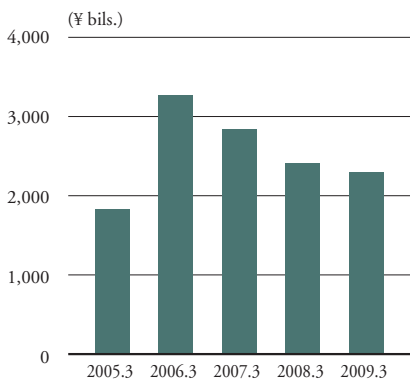
(monthly)



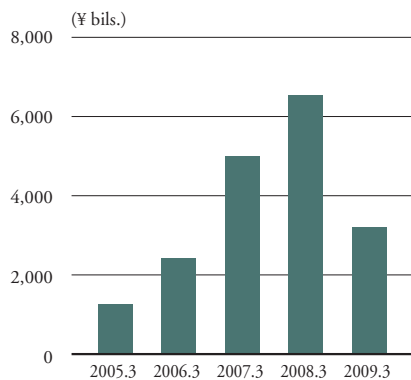
(fiscal year)



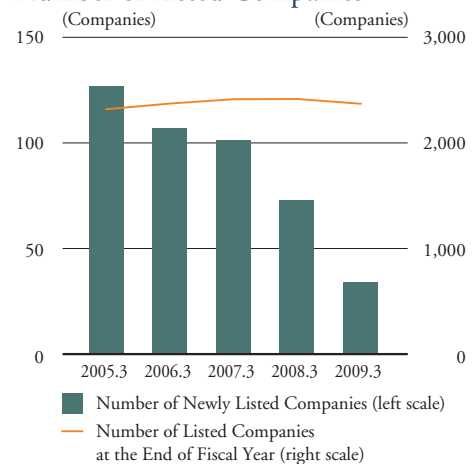
## ETF's Yearly Trading Value



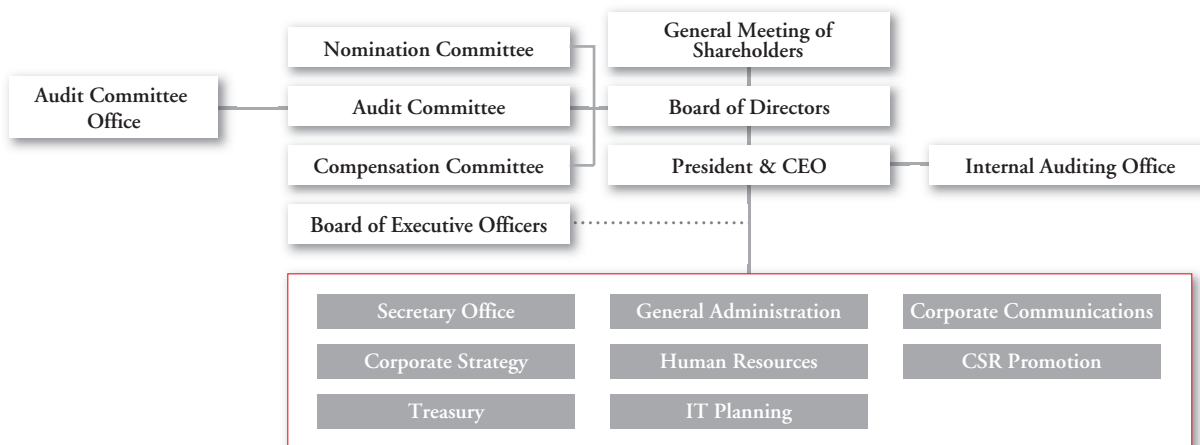
## REIT's Yearly Trading Value



## Number of Newly Listed Companies, Number of Listed Companies



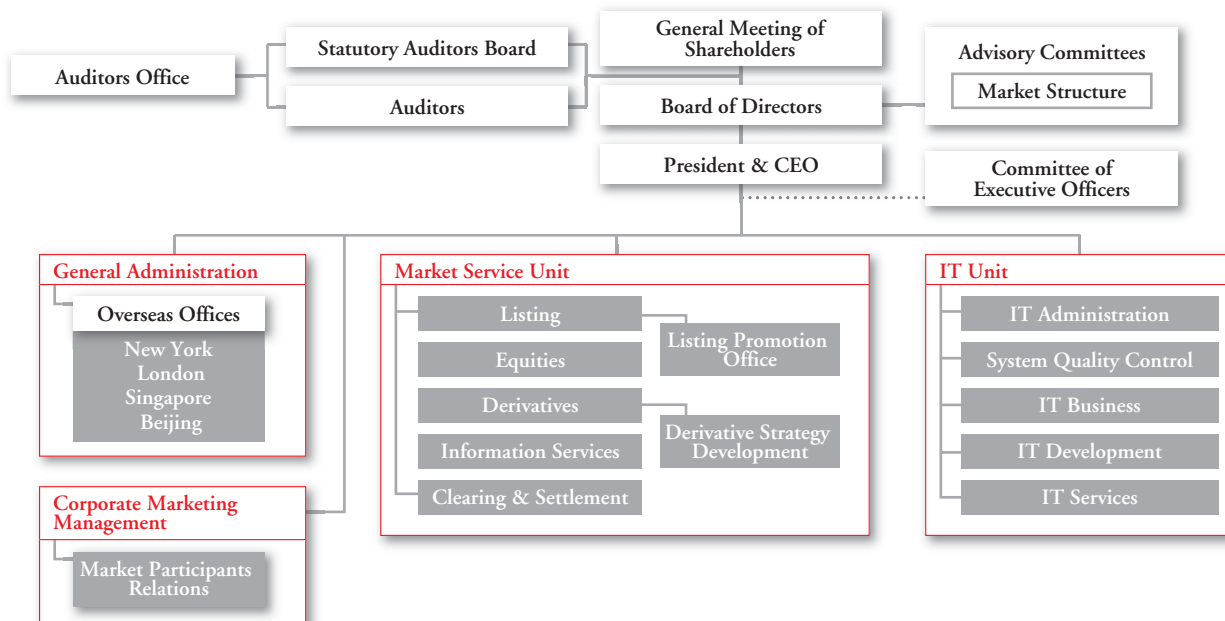
## TOKYO STOCK EXCHANGE GROUP, INC.



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%
Japan Securities Depository Center, Inc.	22.4%

Ownership 100%

## TOKYO STOCK EXCHANGE, INC.



Subsidiaries and affiliates	Capital contribution
Japan Securities Settlement & Custody, Inc.	100.0%
TOSHO SYSTEM SERVICE Co., Ltd.	80.0%
ICJ	45.0%
Tosho Computer Systems Co., Ltd.	35.0%

**Name** Tokyo Stock Exchange Group, Inc.  
**No. of Officers** Directors 16 Executive Officers 6  
**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** 823

### Share Information

**Authorized Shares** 9,200,000  
**Shares Outstanding** 2,300,000  
**No. of Shareholders** 114

### Ten Largest Shareholders (As of March 31, 2009)

Thousands of shares	Shareholders' investment in the Company	
	Number of shares	Percentage of total (%)
Japan Asia Holdings Limited	80	3.52
SMBC Friend Securities Co., Ltd.	60	2.64
Mitsubishi UFJ Securities Co., Ltd.	55	2.42
AIZAWA SECURITIES CO., LTD.	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
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30	1.32

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

### Overseas Offices of Tokyo Stock Exchange, Inc.

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

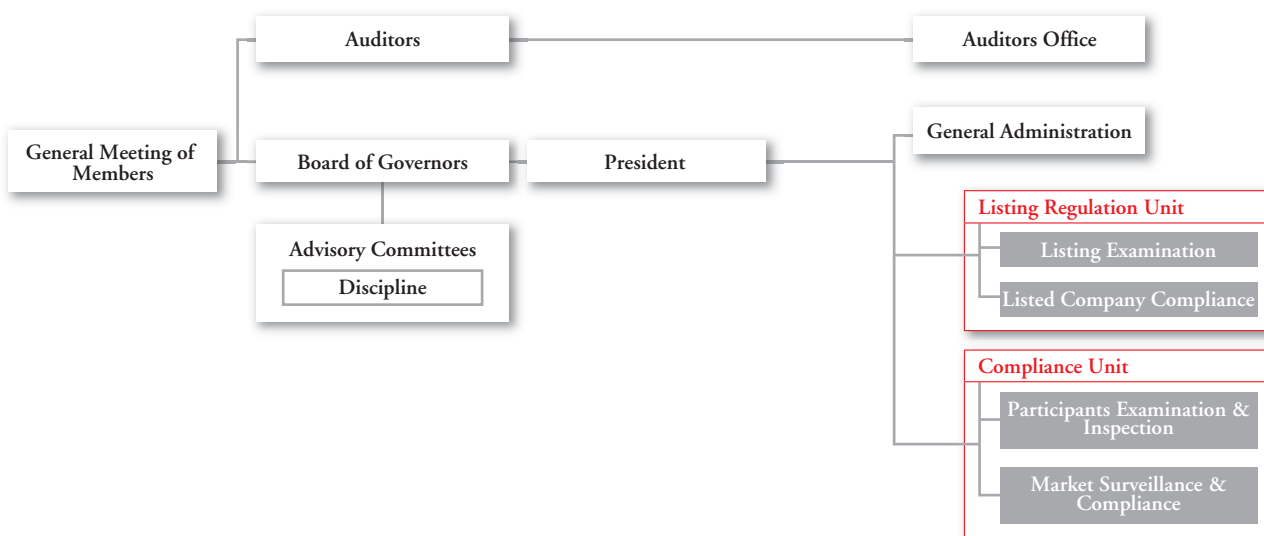
**London Representative Office**  
 4 St. Paul's Churchyard, London, EC4M 8AY, UK  
 Tel: (44) 20-7329-2155

**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.**

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