

**[TRANSLATION]**

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To Our Shareholders

Securities Code: 8697

May 31, 2012

Michio Yoneda, President & CEO  
Osaka Securities Exchange Co., Ltd.  
8-16, Kitahama 1-chome, Chuo-ku,  
Osaka, Japan

**Notice of the 11<sup>th</sup> Ordinary General Meeting of Shareholders**

You are cordially invited to attend our 11<sup>th</sup> Ordinary General Meeting of Shareholders. The meeting will be held in Osaka, Japan as described below.

Even if you are unable to attend the meeting, it is much appreciated if you would exercise your voting rights by paper ballot or via the Internet. For details of voting methods, please consult your custodian or your securities brokers, etc.

**1. Date & Time:** Thursday, June 21, 2012 at 10:00 a.m. (Japan Time)

**2. Place:** Kitahama Forum, OSE Building 3rd Floor  
8-16, Kitahama 1-chome, Chuo-ku , Osaka, Japan

**3. Purpose of the Meeting**

**[A matter to be reported]**

The Business Report and Financial Statements for the 11<sup>th</sup> Fiscal Year (From April 1, 2011 to March 31, 2012)

**[Matters to be resolved]**

**Proposal No.1:** Distribution of Surplus

**Proposal No.2:** Election of 11 Members of the Board

#### **4. Request regarding the Exercise of Voting Rights (\*)**

Please exercise your Voting Rights by 4:50 p.m., Wednesday, June 20, 2012 (Japan Time).

~~(\*) For details of voting methods, please consult your custodian or your securities brokers, etc.~~

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If any revisions in the Reference Documents for the General Meeting of Shareholders, Business Report or Financial Statements arise, it will be notified on our website (<http://www.ose.or.jp/>).

## Business Report (From April 1, 2011 to March 31, 2012)

### 1. Current Situation of the Company

#### (1) Business Progress and Results

OSE entered into a Business Combination Agreement to achieve a business combination with Tokyo Stock Exchange Group, Inc. (TSEG) in November last year. Significant synergies should be created by combining the business of the companies, which have different areas of specialty, i.e., in the derivatives market and the cash equities market, and complement each other, and by moving forward with system integration and any other matters. Further, based on this combination, we believe that the improvement of our presence as an international financial center should generate substantial benefits to market participants and other markets users, such as improved convenience, and should also contribute to the enhanced competitiveness of all the financial and capital markets of Japan, which would be a step towards the revitalization of the Japanese economy. Currently, in order to realize the business combination smoothly and promptly, we set up a Combination Preparatory Committee that is co-chaired by Presidents of the two companies and strive for preparation works.

Suffering from the Great East Japan Earthquake and the further rise of the yen, Japan's economy remained in the difficult condition. But with the restoration of supply chains and the stop of the rise of the yen, signs of a gradual economic recovery became visible. Under this situation, in stock markets during the current fiscal year, although Nikkei 225 fell from the 9,700-yen level of beginning of the term and touched a bottom of the 8,100-yen level, it rose up to the 10,000-yen level at the term end.

Under these circumstances, overview of Operating Revenue by each sector during the current fiscal year became as follows.

#### A. Participant Fees

During the current fiscal year, as for a derivatives market, one of the financial instruments markets operated by OSE (OSE's markets), due to an extension of trading hours of night session from July of last year and the fluctuation of the price of Nikkei Stock Average, the trading volume of Nikkei 225 mini and Nikkei 225 Options became the largest following the previous fiscal year when we marked the record high. Also, the trading volume of Exchange FX Margin Trading (OSE-FX) renewed the record high of the previous fiscal year. As a result, the total trading volume of derivatives products became 184.90 million units, which is 13.8% down from the previous fiscal year but the second highest in the past. Regarding the trading value, as a price of Nikkei 225 remained in a lower level than the previous fiscal year, etc, trading value of Nikkei 225 Futures, Nikkei 225 mini and Nikkei 225 Options fell short of the previous fiscal year, and the total trading value of derivatives products was 283,822.5 billion yen, decreased by 23.7% from the previous fiscal year.

As for the equity markets, trading value both in 1st/2nd Section and JASDAQ fell below the previous fiscal year, and the total trading volume became 15,885.7 billion yen, which is decreased by 16.5% from the previous fiscal year. However, as the trading volume of 1st/2nd Section and JASDAQ exceeded the previous fiscal year, and the total trading volume increased by 37.6% from the previous fiscal year.

Accordingly, Participant Fees was 13,035 million yen (decreased by 5.3% on the same period previous year).

#### B. Equipment and Information Services Fees

Equipment and Information Services Fees, which is mainly from real-time orders and settlements information service, closed price information service, and co-location service(\*), was 7,628 million yen (increased by 7.6% on the same period previous year.)

\* It is a service to improve order processing latency by placing a participant's order system in our data center and connecting it to our trading system.

#### C. Listing Fees

During the current fiscal year, the Listing Fees, which is from listed companies on OSE's markets, etc. resulted in 1,737million yen (decreased by 8.8% on the same period previous year).

#### D. Others

Other Operating Revenue in the current fiscal year was 92 million yen (decreased by 58.3% on the same period previous year.)

<Breakdown of Operating Revenue>

(yen in millions, %)

Category	The 10 <sup>th</sup> FY (Previous Fiscal Year) (FY2010)		The 11 <sup>th</sup> FY (Current Fiscal Year) (FY2011)		y / y
	Amount	Ratio	Amount	Ratio	
Participant Fees	13,769	59.9	13,035	58.0	(5.3)
Transaction fees	8,548	37.2	7,987	35.5	(6.6)
Clearing fees	2,586	11.3	2,775	12.4	7.3
Access fees	1,870	8.1	1,464	6.5	(21.7)
Basic fees	734	3.2	733	3.3	(0.1)
Others	28	0.1	73	0.3	160.9
Equipment and Information Services Fees	7,086	30.8	7,628	33.9	7.6
Market information fees	3,961	17.2	3,999	17.8	0.9
Network line fees	1,282	5.6	1,252	5.6	(2.4)
Co-location service fees	557	2.4	770	3.4	38.4
Others	1,285	5.6	1,606	7.1	25.0
Listing Fees	1,905	8.3	1,737	7.7	(8.8)
Annual listing fees	1,427	6.2	1,476	6.5	3.4
Initial listing fees & fees for issuing new shares	478	2.1	261	1.2	(45.3)
Others	222	1.0	92	0.4	(58.3)
<b>Total</b>	<b>22,984</b>	<b>100.0</b>	<b>22,494</b>	<b>100.0</b>	<b>(2.1)</b>

Based on the results described above, Operating Revenue for the current fiscal year resulted in 22,494 million yen, decreased by 2.1% on the same period previous year.

Also, Selling, General and Administrative Expenses resulted in 14,123 million yen, decreased by 8.3% on the same period previous year. It is because occupancy expenses was 4,261 million yen, operating expenses was 4,012 million yen, personnel expenses was 3,297 million yen, and depreciation expenses was 2,552 million yen, due to improvements of infrastructures to provide stable exchange systems, etc.

As a result, Operating Income was 8,370 million yen, increased by 10.4% from the same period previous year, and Ordinary Income was 9,157million yen, increased by 8.3% from the same period previous year. And Net Income resulted in 5,466 million yen, decreased by 40.3% from the same period previous year. It is because there were Extraordinary Income from a merger with Jasdaq Securities Exchange, Inc. (Jasdaq) and reductions of corporate tax, etc in the previous fiscal year.

## (2) Equipment Investment

Equipment investments amounted 2,221 million yen, mainly invested in IT platforms such as Clearing system's hardware renewal related.

## (3) Financing

Fully self-financed

## (4) Issues

### A. Issues on Market Operations

#### a. Derivatives Market

OSE's stock index futures/options trading have the largest share in Japan, especially, Nikkei 225 Futures, Nikkei 225 mini and Nikkei 225 Options represent the Japan's derivatives products. As derivatives markets have high growth potential, various countries' exchanges are enhancing their competitiveness. Accordingly, we assume that intensive competition with SGX, where Nikkei 225 Futures are traded, and other financial product exchanges will continue.

As for enhancement of competitiveness of the Japan's capital market, the environment surrounding the derivatives market is about to change with a comprehensive exchange vision, designed to synthesize financial and commodities exchanges. In respond to these environmental changes, we recognize that it is our challenge to implement measures to enforce increased competitiveness of OSE's markets.

Accordingly, in July last year, we extended trading hours of night session from until 23:30 to until 3:00 next day for stock index futures/options trading. Also, we strive to enhance further competitiveness, for example, we launched a futures trading which is based on the Nikkei Stock Average Volatility Index indicating the degree of future fluctuations of a price of Nikkei Stock Average, in February of this year. Moreover, OSE-FX, which was launched as a new business area, is also growing steadily.

#### b. Equity Markets

Among our equity market businesses, Section 1/2 and JASDAQ remain the core. Especially, JASDAQ encourages companies with growth potential to implement an IPO at their early stage, and also plays a role as a stable market, which lists companies with a steady business and healthy profitability. We are contributing to Japan's economic growth through providing financing opportunities with SMEs and venture businesses. On the other hand, our critical challenges are: the improvement of the number of IPO companies, which remains in a low level in these years, and the introduction of venture businesses which bring innovation to markets as companies listed on NASDAQ in U.S.

For these challenges, we put our effort to improve our listing system, to enforce our IPO support department and supports (corporate services) for SMEs and venture listed companies with short-term experience as a listed company. For example, we enforce listed companies' information distribution and improve liquidity of markets by such as "Analyst Report Platform", which is the first trial among Japan's exchanges to encourage report developments by analysts. Based on these JASDAQ's unique corporate services, we do not only expand the IPO base but also realize environments where companies which succeeded IPO can continue to develop and grow.

In addition, on OSE's markets, there are characteristic products such as ETFs and Venture Funds, which invest in non-listed companies or companies listing for rather short term. We continue to develop attractive products to meet investor-needs.

#### c. Clearing Business

Along of destabilization of the financial/capital market, the roles of clearing functions are receiving attentions, and requirements for security are becoming higher.

Therefore, we also work on continuous implementation of adequate clearing risk management and strengthening of the financial basis to answer the requirements. We have a system to monitor total positions of derivatives trading at regular time intervals for management of clearing participants' positions, and besides, we retain sufficient financial resources against defaults of clearing participants through acceptance of trading margin and clearing deposit depending on the quantity of risks. Therefore, even when the market volatility increased drastically and trading concentrated intensively because of the Great East Japan Earthquake or the concern about the direction of world economy, trading at OSE were settled smoothly. In addition, in November last year, in accordance with the recent market environments and the trend of discussions on international standards for clearing organizations, we made amendments on the calculation methods of clearing margins of futures and options trading to reflect current market situations etc, more effectively, with the objective to improve our clearing functions / risk management functions.

## B. Issues on Self-Regulation Business

Enhancement of self-regulatory operations is one of the critical issues required to realize investor protections through fair securities and derivatives trading.

Aiming at enhancement of confidence for markets, we develop better listing system by such as improvements in listing criteria or delisting criteria, and also try to further moderation of listing managements, such as strict listing examinations, thoroughness against listed companies for a timely-manner and adequate disclosures and delisting of companies which lost eligibility while a listed company.

Also, regarding market surveillance, working with Securities and Exchanges Surveillance Commission, we try to prevent unfair trading by enhancement of surveillance functions against insider trading or market manipulation.

We continue to strengthen our self-regulatory operations by enhancing information distribution functions.

## C. Issues on IT Systems

Rapidly progressing upgrades of exchange platforms based on recent IT developments, such as stability and processing performances of the platforms greatly affect ensuring advantages in market competition.

Under the above circumstances, we realize stable operations of derivatives trading system "J-GATE", which is introduced in February of last year. Also, we are working hard on developments for scheduled function improvements of a clearing system in summer of this year.

We aim to implement more convenient and stable market operations through continuous enhancement of capacities and functions of platforms.

## D. Issues on the Corporate Structure and HR

It is very important to educate/retain/revitalize human resources to enhance exchange functions in each area such as new product/system planning and developments, self-regulatory functions including market surveillance, participants' administration and listing examinations, and system developments.

We continue to enforce our HR system to support developments of manpower to adopt changes in business environments, employee educations, and achievement of business goals.

We will appreciate your continued support and encouragement in the future.

(5) Positions of Asset and Profit/Loss

(yen in millions)

	The 8 <sup>th</sup> FY (FY2008)	The 9 <sup>th</sup> FY (FY2009)	The 10 <sup>th</sup> FY (FY2010)	The 11 <sup>th</sup> FY (current) (FY2011)
Operating Revenue	18,902	18,080	22,984	22,494
Ordinary Income	9,331	7,684	8,453	9,157
Net Income	6,318	4,334	9,156	5,466
Net Income per Share	23,400 yen	16,053 yen	33,911 yen	20,244 yen
Total Asset	500,947	317,323	670,811	453,203
Net Asset	44,223	46,439	52,858	55,485

(Note) 1. Net Income per Share is calculated base on an average number of total shares outstanding.  
2. We merged Jasdaq, which had been our consolidated subsidiary, on April 1, 2010. Consolidated financial results for the 8<sup>th</sup> and 9<sup>th</sup> fiscal year are as follows.

[Reference]

(yen in millions)

	The 8 <sup>th</sup> FY (FY2008)	The 9 <sup>th</sup> FY (FY2009)
Operating Revenue	20,051	23,021
Ordinary Income	9,444	9,160
Net Income	6,372	6,298
Net Income per Share	23,603 yen	23,326 yen
Total Asset	507,508	320,362
Net Asset	46,396	48,429

(6) Important Situations of a Parent Company and Subsidiaries

Not applicable

(7) Main Business (as of March 31, 2012)

We provide financial instruments markets set forth in the Financial Instruments and Exchange Act, Article 2-17 and operate these markets on the principle of maintaining fair and efficient executions of transactions in securities or market transactions of derivatives.

Also, we conduct market disclosures and other business incidental to the business.

In addition, we conduct financial instruments obligation assumption services set forth in the Financial Instruments and Exchange Act, Article 2-28 for OSE's derivatives transactions as a financial instruments clearing organization set forth in the Article 2-29.

The number of listed issues and companies and the number of transaction/clearing participants on OSE's markets are as follows.

1. Number of listed issues and companies

Derivatives

	Category	Number
Futures	Nikkei 225 Futures	
	Nikkei 225 mini	
Options	Nikkei 225 Options	
	Security Options	
OSE-FX		11 currency pairs

## Equities

	Category	Number
Stocks	1st Section	508 companies
	2nd Section	203 companies
	JASDAQ (Standard and Growth)	952 companies
	Total	1,663 companies
Investment Securities		1 issue
Domestic Investment Securities		2 issues
Foreign Investment Securities		2 issues
ETFs		17 issues
Covered Warrants		40 issues
Bonds		303 issues
Convertible Bonds		3 issues

(Note) Other than those above, there are Nikkei 300 Futures, Russell/Nomura Prime Index Futures, and Nikkei Stock Average Volatility Index Futures for derivatives. Also, we operate J-NET Market, and domestic securities, domestic investment securities, ETFs, covered warrants, etc are listed on the market.

## 2. Number of Transaction and Clearing Participants

(companies)

Transaction Participants of Cash/Futures Trading etc./FX and JASDAQ	11
Transaction Participants of Cash/Futures Trading etc. and JASDAQ	59
Transaction Participants of Cash/Futures Trading etc.	4
Transaction Participants of Cash Trading and JASDAQ	3
Transaction Participants of Futures Trading etc. and JASDAQ	8
Transaction Participants of Futures Trading etc.	2
Transaction Participants of IPO	1
Transaction Participants of FX	6
Transaction Participants of JASDAQ	12
<b>Total</b>	<b>106</b>

(companies)

Clearing Participants of Futures Trading etc. and FX	12
Clearing Participants of Futures Trading etc.	71
Clearing Participants of FX	5
<b>Total</b>	<b>88</b>



(8) Offices (As of March 31, 2012)

Head Office: 8-16, Kitahama 1-chome, Chuo-ku, Osaka JAPAN

Tokyo Branch: 5-8, Nihonbashi Kayabacho 1-chome, Chuo-ku, Tokyo JAPAN

(9) Employees (As of March 31, 2012)

	Number of Employees (Change from March 31, 2011)		Average Age		Average Length of Service	
Male	238	(-7)	40 years	9 months	9 years	6 months
Female	87	(-6)	43 years	5 months	14 years	5 months
Total / Average	325	(-13)	41 years	6 months	10 years	10 months

- (Note)
1. Includes two workers on loan in the above employees
  2. Includes four outside workers in the above employees
  3. Includes seven executive officers in the above employees

(10) Borrowings (As of March 31, 2012)

Not applicable

(11) Other Critical Information on the Company's Current Situation

Not applicable

## 2. Stock of the Company (As of March 31, 2012)

(1) Total Number of Shares Authorized to be issued: 930,000 shares

(2) Total Number of Shares Issued: 270,000 shares

(3) Number of shareholders: 4,009 persons

(4) Principal Stockholders

No	Shareholder Name	Number of Shares Held	Shareholding Ratio
1	State Street Bank and Trust Company	18,193	6.74%
2	Deutsche Bank AG London-PB Non-Treaty Clients 613	10,515	3.89
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,557	3.17
4	J.P. Morgan Clearing Corp-Sec	8,438	3.13
5	Morgan Stanley and Co. International Plc	8,241	3.05
6	Northern Trust Global Services Limited Re Norwegian Clients Account	6,380	2.36
7	Goldman Sachs International	6,110	2.26
8	Deutsche Securities Inc.	6,085	2.25
9	Credit Suisse Securities (Europe) Limited PB Sec Int Non-TR Client	5,461	2.02
10	Goldman, Sachs and Co. Reg	5,405	2.00

(Note)

During the 11<sup>th</sup> Fiscal Year, following entities filed "report on large shareholders" etc, and following status of holding of OSE's shares as of the date of occurrence of duty to report were reported. But as we are not able to confirm actual holding shares at the end of the current fiscal year, following entities are not included in the above principal shareholders.

In case multiple "reports on large shareholders" are submitted, overview of the most recent report is shown. Regarding Number of Shares and Shareholding Ratio, in case there is a report of shares held by joint holders, their holding shares and their holding ratio are included.

Name of Company	Date of Report	Date of Occurrence of Duty to Report	Number of Shares	Shareholding Ratio
JO Hambro Capital Management Limited	June 23, 2011	June 16, 2011	13,680	5.07 %
FIL Investments (Japan) Limited	December 15, 2011	December 8, 2011	38,191	14.14
Skagen AS	December 22, 2011	December 19, 2011	10,719	3.97
Credit Suisse Securities (Europe) Limited	February 22, 2012	February 15, 2012	8,626	3.19
Deutsche Securities Inc.	April 6, 2012	March 30, 2012	8,323	3.08

(5) Other Critical Information on the Stock

Not applicable

## 3. Stock Warrants (As of March 31, 2012)

Not applicable

## 4. Corporate Officers

### (1) Members of the Board and Statutory Auditors (As of March 31, 2012)

Name	Position	Assignment and Important Office(s) Concurrently Held
Michio Yoneda	President & CEO	General management, Internal Inspection Office Outside Director, Osaka Small and Medium Business Investment & Consultation Co., Ltd.
Motoharu Fujikura	Director	Self Regulation
Manabu Matsumoto	Director	Equities
Kotaro Yamazawa	Director	Derivatives, Integration Planning Project Outside Director, Japan Securities Clearing Corporation
Yoshinori Karino	Director	Market Operations, Information Technology
Tsutomu Okuda	Outside Director	Representative Director and Chairman & CEO, J. FRONT RETAILING Co., Ltd. Outside Director, Resona Holdings, Inc. Outside Corporate Auditor, Mainichi Broadcasting System Inc.
Yusuke Kawamura	Outside Director	Senior Counselor, Daiwa Institute of Research Ltd.
Yuko Kawamoto	Outside Director	Professor, Graduate School of Finance, Accounting & Law, Waseda University Outside Director, Monex Group, Inc. Outside Corporate Auditor, Tokio Marine Holdings, Inc. Outside Director, Yamaha Motor Co., Ltd. Outside Director, ITOCHU Corporation
Taichi Sakaiya (Autonym: Kotaro Ikeguchi)	Outside Director	Representative Director, Taichi-Sakaiya Office Co., Ltd. Representative Director, Taichi-Sakaiya Laboratory Co., Ltd.
Shigeo Sasaki	Outside Director	Lawyer Outside Director, Osaka Securities Finance Company, Ltd. Outside Corporate Auditor, Kobe Steel, Ltd. Outside Corporate Auditor, Sekisui Jushi Corporation
Shigeru Morimoto	Outside Director	Professor, Graduate School of Law, Doshisha University Lawyer
Yoshitake Kaneda	Full-time Statutory Auditor	
Hiroshi Iwaki	Outside Statutory Auditor	Lawyer
Hiroyuki Nakatsukasa	Outside Statutory Auditor	Representative of Nakatsukasa Certified Public Accountant/ Certified Tax Accountant Office, Outside Statutory Auditor, Furusato Industries, Ltd.

(Note)

1. Mr. Shigeo Sasaki, Outside Director, is Outside Director of Osaka Securities Finance Company, Ltd., and the company is a securities finance company of stock lending designated by us. There is no significant capital tie or business connection between OSE and any concurrent offices of the Outside Directors and the Outside Statutory Auditors.
2. Ms. Yuko Kawamoto, Outside Director, is Chairman of our Self Regulation Committee. Mr. Shigeo Sasaki, Outside Director and Mr. Motoharu Fujikura, Director are a member of our Self Regulation Committee.
3. Outside Director of Mr. Tsutomu Okuda, Mr. Yusuke Kawamura, Ms. Yuko Kawamoto, Mr. Taichi Sakaiya, Mr. Shigeo Sasaki and Mr. Shigeru Morimoto, and Outside Statutory Auditor of Mr. Hiroshi Iwaki and Mr. Hiroyuki Nakatsukasa are independent directors that Osaka Securities Exchange Co., Ltd. requires to retain for protection of general stakeholders.
4. Mr. Hiroyuki Nakatsukasa, Outside Statutory Auditor, is a certified public accountant and a certified tax accountant, and holds a respectable degree of knowledge on finance and accounting.
5. Mr. Yusuke Kawamura, Outside Director, was appointed to Deputy Chairman of Daiwa Institute of Research Ltd. as of April 1, 2012.
6. Mr. Shigeo Sasaki, Outside Director, was appointed to Outside Director of IwaiCosomo Securities Co., Ltd. as of May 1, 2012.

## (2) Executive Officers (As of March 31, 2012)

Name	Position	Assignment
Michio Yoneda	President & CEO	General Management, Internal Inspection Office
Motoharu Fujikura	Deputy President Head of Self Regulation	Self Regulation
Manabu Matsumoto	Deputy President	Equities
Kotaro Yamazawa	Managing Director	Derivatives, Integration Planning Project
Yoshinori Karino	Managing Director	Market Operations, Information Technology
Shigeharu Kobayashi	Senior Executive Officer Deputy Head of Self Regulation	Self Regulation
Yasutaka Masatsugu	Senior Executive Officer	Corporate Management
Masahiko Maruyama	Senior Executive Officer	Corporate Management
Masayuki Murata	Executive Officer	Equities
Tatsuya Kamiki	Executive Officer	Market Operations
Tetsuya Kawamoto	Executive Officer	Self Regulation
Daisuke Ryougoku	Executive Officer	Self Regulation

## (3) Total of Remuneration etc of Directors and Statutory Auditors

(yen in millions)

Item	Directors		Statutory Auditors		Total	
	Number of persons	Expected value of payments	Number of persons	Expected value of payments	Number of persons	Expected value of payments
1. Total of Remuneration	11	241	3	27	14	269
2. Bonuses of Outside Directors (Included in 1)	6	37	2	9	8	46
3. Bonuses of Directors (Included in 1)	5	45	-	-	5	45

(Note)

1. Under the Ordinance for Enforcement of the Company Law, amounts of the current fiscal year are shown.
2. Regarding remuneration of full-time Directors, in addition to monthly remuneration for assigned duties/responsibilities on the view point of improvement of business performance and mid-long term corporate value, bonuses based on business performance within 1 % of Net Income are paid. Retirement benefits system is abolished. We do not apply stock option system.

## (4) Outside Directors and Outside Statutory Auditors (Principal Activities during the Current Fiscal Year)

1. Director: Tsutomu Okuda
  - a. Attendance records of Board of Directors meetings: 100%
  - b. Comments at Board of Directors meetings: Expressed necessary comments mainly as well-experienced executive of listed companies
2. Director: Yusuke Kawamura
  - a. Attendance records of Board of Directors meetings: 92%
  - b. Comments at Board of Directors meetings: Expressed necessary comments mainly as a well-experienced academic expert from a technical viewpoint.
3. Director: Yuko Kawamoto
  - a. Attendance records of Board of Directors meetings: 100%
  - b. Comments at Board of Directors meetings: Expressed necessary comments mainly as a well-experienced academic expert from a technical viewpoint.
4. Director: Taichi Sakaiya
  - a. Attendance records of Board of Directors meetings: 100%
  - b. Comments at Board of Directors meetings: Expressed necessary comments mainly as a well-experienced

academic expert from a technical viewpoint.

5. Director: Shigeo Sasaki

- a. Attendance records of Board of Directors meetings: 92%
- b. Comments at Board of Directors meetings: Expressed necessary comments mainly as a well-experienced lawyer from a technical viewpoint.

6. Director: Shigeru Morimoto

- a. Attendance records of Board of Directors meetings: 100%
- b. Comments at Board of Directors meetings: Expressed necessary comments mainly as a well-experienced academic expert from a technical viewpoint.

7. Statutory Auditor: Hiroshi Iwaki

- a. Attendance records of Board of Directors meetings: 100%
- b. Attendance records of Board of Auditors meetings: 100%
- c. Comments at Board of Directors meetings and Board of Auditors meetings: Expressed necessary comments mainly as a well-experienced lawyer from a technical viewpoint.

8. Statutory Auditor: Hiroyuki Nakatsukasa

- a. Attendance records of Board of Directors meetings: 100%
- b. Attendance records of Board of Auditors meetings: 100%
- c. Comments at Board of Directors meetings and Board of Auditors meetings: Expressed necessary comments mainly as a well-experienced accounting expert.

(5) Contracts for Limitation of Liability

- 1. We have a contract for limitation of liability of the Company Law Article 423-1 with each Outside Director. Limitation for obligation to pay reparations based on the contract is 1 million yen or minimum obligation under the law, whichever is higher.
- 2. We have a contract for limitation of liability of the Company Law Article 423-1 with each Outside Statutory Auditor. Limitation for obligation to pay reparations based on the contract is 1 million yen or minimum obligation under the law, whichever is higher.

(6) Other Critical Information on the Company's Executives

Not applicable

## 5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Accounting Auditor Remuneration, etc. for the Current Fiscal Year

	(yen in millions)
1. Remuneration, etc for services specified in Article 2, Paragraph 1 of the Certified Public Accountants Law	26
2. Remuneration, etc for services other than services specified in Article 2, Paragraph 1 of the Certified Public Accountants Law	52
3. Total	78

(3) Description of Non-Auditing Services

We paid consideration to the accounting auditor for advisory services on due diligence as non-auditing services.

(4) Policy for Decisions on Dismissal and Non-reappointment of Accounting Auditor

In addition to dismissal of the accounting auditor by the Board of Auditors under respective items listed in the Company Law Article 340-1, in case it is recognized that the appropriate performance of duties by the accounting auditor is rendered not possible, or in other cases, upon consent or claim of the Board of Auditors, we shall propose an agenda on dismissal or non-reappointment to the General Meeting of Shareholders.

## 6. Corporate System and Policy

(1) Systems to ensure that executions of businesses by Directors comply with the laws and the Articles of Incorporation; other systems to ensure appropriateness of operations

Our current basic policies are as follows:

1. Basic Policies on Developments and Operations of the Internal Control System
  - A. In order to be an appropriate organization as a listed financial instruments exchange and to accord with the corporate identity as stipulated in the code of conducts, the Company has established an Internal Control System. The Company shall adjust the Internal Control System in accordance with provisions of the Company Law.
  - B. In order to reflect changes etc. in social conditions and economic environments surrounding the Company, the Company shall deliberate on the Internal Control System at Board of Directors meetings at least once a year and make amendments as necessary.
2. The Internal Control System of the Company
  - A. System to ensure that executions of duties by Directors and employees comply with the laws and the Articles of Incorporation
    - (a) In order to reflect the public nature of the Company, improve the transparency, and reflect opinions of market participants, the number of outside Directors shall be larger than that of full-time Directors. Outside Directors shall be independent in principle, and a few of Directors shall be elected from among knowledgeable or experienced persons.
    - (b) In order to ensure the independence of the Company's self-regulatory operations, in accordance with the Financial Instruments and Exchange Law, the Company shall establish a self-regulation committee consisting of three or more Directors (of which the majority is the outside Directors).
    - (c) In order to deliberate expertly on important matters on the Company's operations and to represent wide range of opinions, the Company shall establish following committees:
      - a. Market Operating Committee
      - b. Clearing & Settlement Committee
      - c. Clearing Risk Assessment Committee
      - d. Disciplinary Committee
      - e. Listing Committee
    - (d) The Company shall establish "code of conducts" to be complied by managements and employees and other internal rules, and act complying with the laws, the Articles of Incorporation and other internal rules in every business activity. Also, the Company shall impose responsibilities of coaching/supervision on Executive Officers and managerial workers.
    - (e) In order to perceive the Company's compliance circumstances in a cross-sectoral manner to coordinate or handle on a company-wide level as necessary, the Company shall appoint General Affairs of Corporate Management as a compliance controlling department and stipulate Executive Officer in charge of compliance. The compliance controlling department shall run internal training courses on a regular basis and endeavor to improve awareness of compliance in corporation with their human resources group. Also, the Company shall establish the Internal Inspection Office directly controlled by CEO and verify legal compliance conditions through inspections of operations etc. In case the General Affairs of Corporate Management executes compliance-management operations, they shall discuss with the Internal Inspection Office and the Auditors Office.
    - (f) Regarding business operations which are considered as being likely to conflict with the laws, the Articles of Incorporation, or other internal rules, Directors and employees shall execute after resolving the questions based on discussions with the division controlling compliance, opinions of lawyers etc.
    - (g) With a view to enhance internal supervisory functions and inhibit fraudulent activities, the Company shall establish Compliance Hotline, which receives intimations on fraudulent activities etc. by managements or employees, and Hotline Committee (including outside commissioners such as outside Directors, lawyers).
    - (h) The Company shall establish "Basic Policy on elimination of the antisocial force" and disclose it on the Company's website, and also implement following activities:
      - a. Maintenances of internal rules and handling manuals on antisocial eliminations
      - b. Conclusions of MOUs with business partners etc. on eliminations of organized crime groups
      - c. Enhancements of cooperation with related organizations
    - (i) The Company shall set "Handling of Safety Control Measures of Personal Data", etc. which complies with "Personal Information Protection Policy" and "Code of Practice for Safety Control Measures in the Guideline for Personal Information Protection in the Financial Field" developed by Financial Services Agency, and protect personal information.
    - (j) In light of the public nature and peculiarity of the business, the Company shall prohibit managements and employees from securities trading, etc. in principle.
  - B. System regarding retentions and managements of information relating to the performance of duties by Directors
    - (a) The Company shall establish following rules, and store and keep information
      - a. Documentation manual
      - b. Internal information management manual
      - c. Rules for handling of confidential information

- d. Information security policy
  - (b) Regarding information on operational executions by Directors and Executive Officers, complying with above rules, the Company shall set a retention period for each document including following documents and implement organizational record retentions.
    - a. Minutes of General Meeting of Shareholders
    - b. Minutes of Board of Directors Meeting
    - c. Minutes of Self-Regulation Committee
    - d. Minutes of Executive Meeting
    - e. Requests for Approvals
    - f. Other important documents
- C. Rules relating to the risk management in the event of detriments and other systems
- (a) The Company shall establish Risk Management Rules, which rule risk management methods etc. based on identification of the Company's managerial risks. The Company shall place a "risk management supervisor" at all departments. The supervisors shall be required identifications of risks in their department and analysis on sizes, exposures and potentials of risks. Based on results of these risk analysis etc., regarding operation processes with high risks, the Company shall appropriately respond to the risks by such as developments of manuals.
  - (b) The Company shall assign General Affairs of Corporate Management as a division controlling risk managements, and the division gathers and evaluates analysis results by each risk management supervisor in an integrated fashion.  
Also, the Company shall place "Risk Management Committee". The Committee shall gather information on risk management situations etc. across company, and give improvement orders against to results of analysis and evaluations, and also control planning, adjusting and handling etc. of company-wide risk avoidance plans etc.  
In addition, the Company shall make company-wide adjustments and handlings as necessary, and arrange systems for emergencies such as a development of business contingency plans for when a disaster strikes.
  - (c) In consideration of importance of information technologies for the Company's business, it is necessary to accommodate special handlings for the risks relating to the information technologies, and the Company shall enhance the effectiveness of preliminary risk managements by; placing a information technology operation management committee (Chairman: Executive Officer of Information Technology), which is participated by divisions related to system operations, sharing recognitions on systems' processing capacities, operating conditions and risks, and confirming operational points to keep in mind, or developing business contingency plans for when system troubles occur and emergency handling plans etc.
  - (d) In case above risks are actualized and a crisis occurs, the Company shall create a task force with a top of President and Executive Officer in respond to each crisis, and promptly execute cross-company information gathering, development of countermeasures, and instructions.
- D. System to ensure the effective performance of duties by Directors
- (a) The Company shall introduce an executive officer system; full-time Directors shall hand over their reins of business operations to Executive Officers who are not Director, and these Executive Officers shall execute the operations efficiently with clarifying execution responsibilities.
  - (b) In order to facilitate discussions at Board of Directors meetings, the Company shall set up Executive meetings consisting of full-time Directors and Executive Officers and hold pre-discussions for matters requiring decision-making at the Board of Directors meetings.
  - (c) In addition to defining roles of full-time Directors and Executive Officers, the Company shall define duties of each department by "Organization Rules" and decision authorities by "Approval Rules" and clarify a command structure and responsibilities of business operations.
  - (d) At Board of Directors meetings, the Company shall institute operational plans and budgets for next fiscal year and a three-year midterm business plan starting from next fiscal year at every term-end. In this process, the Company shall strive to distribute operating resources efficiently according to the operational plans and report their progress and results to the Board of Directors after discussion at Executive meetings.
- E. System to ensure the fairness of operations of the Company and its subsidiaries  
The company does not have any subsidiaries which are deemed their corporate group.
- F. Matters relating to employees who support Auditors in case Auditors request to place employees to support their duties, and matters relating to independence of the relevant employees from Directors.
- (a) The Company shall establish the Auditors Office and place dedicated staff members to support duties of Auditors.
  - (b) System, transfers, and performance evaluations of the Auditors Office shall require the consent by full-time Statutory Auditor(s) in advance in order to ensure the independence of the Auditors Office from the Board of Directors
  - (c) Auditors shall be able to give instructions for necessary matters to staff members belonging to the Auditors Office, and the staff members who receive the necessary instructions for auditing operations shall not receive any instructions from Directors or Executive Officers, etc.
- G. System regarding reports by Directors and employees to Auditors, and other reports to Auditors
- (a) Full-time Directors, Executive Officers and employees shall effectively and flexibly report matters which are defined as to be reported by discussion with Auditors in advance.

- (b) Besides matters to be reported regularly, full-time Directors and Executive Officers shall promptly report to Auditors, when they find important facts that may cause significant damages for the Company or violate the laws or the articles of incorporation.
  - (c) Auditors shall be able to request necessary researches or reports, etc. from full-time Directors and Executive Officers, and also shall be able to attend important meetings such as Executive meetings and demand necessary explanations.
- H. Other systems to ensure effective executions of audits by Auditors
- (a) Outside Auditors shall be independent in principle.
  - (b) Full-time Directors and Executive Officers shall make efforts to promote better understanding of importance of audits by Auditors and mutual recognitions by having meetings with Auditors as necessary and exchanging opinions on: business policies, challenges of the Company, risks surrounding the Company, conditions of audits by Auditors, and important matters on audits etc.

## (2) Basic Policy of Governance of Corporate Limited

We do not establish basic policy for governor(s) to make decisions on corporate finance and business policies or an anti-takeover measures. However, there are regulations by the following laws for acquisition and ownership of over a certain number of OSE's shares (voting rights)

(Reference) Related Articles of Financial Instruments and Exchange Act

Article 103-2 (Restrictions on Holdings of Voting Rights)

No person shall acquire or hold voting rights (excluding the voting rights specified by a Cabinet Office Ordinance taking into consideration the manner of acquisition or holding and any other circumstance; hereinafter referred to as the "Subject Voting Rights" in this Chapter) not less than 20 percent (or 15 percent, when there are facts specified by a Cabinet Office Ordinance as facts estimated to have material influence on the decision of the financial and operational policies; hereinafter referred to as the "Holding Ratio Threshold" in this Chapter) of the voting rights of all shareholders of a Stock Company-Type Financial Instruments Exchange; provided, however, that this shall not apply to the cases where an Authorized Financial Instruments Firms Association, a Financial Instruments Exchange, a Financial Instruments Exchange Holding Company, a Commodity Exchange or a Commodity Exchange Holding Company acquires or holds the Subject Voting Rights.

Article 106-3 (Authorization, etc.)

Notwithstanding the provisions of Article 103-2(1), the local government or any other person specified by a Cabinet Order (hereinafter referred to as the "Local Government, etc." in this Article, Article 106-14 and Article 106-17) may, with an authorization of the Prime Minister, acquire or hold the Subject Voting Rights not less than the Holding Ratio Threshold but not more than 50 percent of the Holding Ratio Threshold of the voting rights of all shareholders of a Stock Company-Type Financial Instruments Exchange, pursuant to the provisions of the Cabinet Office Ordinance.

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Above report is shown by followings:

1. As for shown values, less than a unit is rounded down.
2. As for ratios (%), less than a unit is rounded off.



## Balance Sheets

(As of March 31, 2012)

(yen in millions)

Assets	
Current Assets	
Cash and Deposits	43,222
Operating Accounts Receivable	2,012
Short-Term Investment Securities	1,015
Prepaid Expenses	103
Special Assets for Clearing Margin	342,743
Special Assets for Clearing Deposit	45,692
Deferred Tax Assets	319
Other	417
Allowance for Doubtful Accounts	(0)
Total Current Assets	435,527
Noncurrent Assets	
Property, Plant and Equipment	
Buildings, net	1,086
Structures, net	0
Information Equipment, net	1,917
Tools, Furniture and Fixtures, net	121
Land	98
Lease Assets	15
Construction in Progress	467
Total Property, Plant and Equipment	3,708
Intangible Assets	
Software	5,616
Software in Progress	1,515
Other	17
Total Intangible Assets	7,149
Investments and Other Assets	
Investment Securities	950
Long-Term Loans Receivable from Employees	17
Long-Term Prepaid Expenses	380
Long-Term Deposits	3,000
Guarantee Deposits	297
Special Assets for Guarantee Deposit	375
Deferred Tax Assets	1,771
Other	71
Allowance for Doubtful Accounts	(46)
Total Investments and Other Assets	6,818
Total Noncurrent Assets	17,675
Total Assets	453,203

(yen in millions)

Liabilities	
Current Liabilities	
Short-Term Loans Payable	0
Accounts Payable-Other	865
Accrued Expenses	1,107
Income Taxes Payable	3,236
Accrued Consumption Taxes	258
Deposits Received	100
Clearing Margin	342,743
Clearing Deposit	45,692
Lease Obligations	5
Provision for Bonuses	182
Provision for Directors' Bonuses	45
Other	445
Total Current Liabilities	<u>394,683</u>
Noncurrent Liabilities	
Long-Term Loans Payable	0
Long-Term Deposits Received	424
Guarantee Deposits Received	375
Lease Obligations	9
Provision for Retirement Benefits	2,170
Other	52
Total Noncurrent Liabilities	<u>3,034</u>
Total Liabilities	<u>397,717</u>
Net Assets	
Shareholders' Equity	
Capital Stock	4,723
Capital Surplus	
Legal Capital Surplus	4,825
Total Capital Surplus	<u>4,825</u>
Retained Earnings	
Legal Retained Earnings	322
Other Retained Earnings	
Default Compensation Reserve for Cash Transactions	3,569
Default Compensation Reserve for Futures Trading	7,011
General Reserve	5,302
Retained Earnings Brought Forward	29,730
Total Retained Earnings	<u>45,936</u>
Total Shareholders' Equity	<u>55,485</u>
Valuation and Translation Adjustments	
Valuation Difference on Available-for-Sale Securities	0
Total Valuation and Translation Adjustments	<u>0</u>
Total Net Assets	<u>55,485</u>
Total Liabilities and Net Assets	<u>453,203</u>

## Profit and Loss Statements

(From April 1, 2011 to March 31, 2012)

	(yen in millions)
Operating Revenue	
Transaction Participants' Fees	13,035
Listing Fees	1,737
Income from Equipment and Market Information Service	7,628
Other	92
Total Operating Revenue	<u>22,494</u>
Selling, General and Administrative Expenses	<u>14,123</u>
Operating Income	<u>8,370</u>
Non-Operating Income	
Interest Income	462
Dividends Income	53
Amortization of Negative Goodwill	233
Other	64
Total Non-Operating Income	<u>812</u>
Non-Operating Expenses	
Interest Expenses	20
Other	6
Total Non-Operating Expenses	<u>26</u>
Ordinary Income	<u>9,157</u>
Extraordinary Income	
Gain on Sale of Investment Securities	30
Fine Paid by Transaction Participants	20
Total Extraordinary Income	<u>50</u>
Income Before Income Taxes	<u>9,207</u>
Income Taxes-Current	3,234
Income Taxes-Deferred	507
Total Income Taxes	<u>3,741</u>
Net Income	<u>5,466</u>

## Statements of Changes in Net Assets

(From April 1, 2011 to March 31, 2012)

(yen in millions)

	Shareholders' Equity		
	Capital Stock	Capital Surplus	
		Legal Capital Surplus	Total Capital Surplus
Balance at the Beginning of Current Period	4,723	4,825	4,825
Changes of Items during Current Period			
Dividends from Surplus	-	-	-
Net Income	-	-	-
Net Changes of Items Other than Shareholders' Equity	-	-	-
Total Changes of Items during the Period	-	-	-
Balance at the End of Current Period	4,723	4,825	4,825

	Shareholders' Equity						
	Retained Earnings						Total Shareholder's Equity
	Legal Retained Earnings	Other Retained Earnings				Total Retained Earnings	
		Default Compensation Reserve for Cash Transactions	Default Compensation Reserve for Futures Trading	General Reserve	Retained Earnings Brought Forward		
Balance at the Beginning of Current Period	322	3,569	7,011	5,302	27,099	43,305	52,854
Changes of Items during Current Period							
Dividends from Surplus	-	-	-	-	(2,835)	(2,835)	(2,835)
Net Income	-	-	-	-	5,466	5,466	5,466
Net Changes of Items Other than Shareholders' Equity	-	-	-	-	-	-	-
Total Changes of Items during the Period	-	-	-	-	2,631	2,631	2,631
Balance at the End of Current Period	322	3,569	7,011	5,302	29,730	45,936	55,485

	Valuation and Translation Adjustments		Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments	
Balance at the Beginning of Current Period	4	4	52,858
Changes of Items during Current Period			
Dividends from Surplus	-	-	(2,835)
Net Income	-	-	5,466
Net Changes of Items Other than Shareholders' Equity	(4)	(4)	(4)
Total Changes of Items during the Period	(4)	(4)	2,626
Balance at the End of Current Period	0	0	55,485

# Notes to the Financial Statements

(From April 1, 2011 to March 31, 2012)

## 1. Significant Accounting Policies

### (1) Standards and Methods for Valuation of Securities

- A. Debt securities that are classified as "held-to maturity" securities  
We employ the amortized cost method. (straight-line method)
- B. Available-for-Sale Securities  
Marketable securities are stated mainly by a market value method based on average market prices during one month before the fiscal year-end. Valuation differences are reported as a component of shareholders' equity, and costs of securities sold are calculated by the moving-average method.  
Non-marketable securities are state at cost, which is determined by the moving-average method.

### (2) Depreciation Method for Noncurrent Assets

- A. Property, Plant and Equipment (excluding Lease Assets)  
We employ the straight-line method. Main lifetime is as follows;  
Buildings: 15-50 years  
Information Equipments: 2-6 years
- B. Intangible Assets (excluding Lease Assets)  
We employ the straight-line method.  
Depreciation period of software to use at the company is based on our usable life (Mainly five years).
- C. Lease Assets  
Lease Assets related finance leases, other than those for which the ownership transfers to the lessee  
We employ the straight-line method taking the useful lifetime of the assets as the term of the lease and depreciating the residual value to zero.  
Among Lease Assets related finance leases, other than those for which the ownership transfers to the lessee, lease transactions which started before March 31, 2008, are based on the ordinary rental transaction method.
- D. Long-Term Prepaid Expenses  
We employ the straight-line method.  
Depreciation period is based on the same standard as the Corporation Tax Act.

### (3) Standards for Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end date on the spot exchange rates. Any resulting differences are reflected as foreign currency translation adjustments in net assets.

### (4) Standards for Provision

- A. Allowance for Doubtful Accounts  
In order to prepare for potential credit losses on receivables outstanding, an estimated uncollectible amount is recorded at the amount calculated based on the historical rate of credit loss with respect to normal receivables and the amount determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.
- B. Provision for Bonuses  
In order to prepare for the provision for bonuses, estimated amount for this current fiscal year of amount to be paid is posted.
- C. Provision for Directors' Bonuses  
In order to prepare for the provision for director's bonuses, estimated amount for this current fiscal year of amount to be paid is posted.
- D. Provision for Retirement Benefits  
In order to prepare for the provision of retirement benefits for employees, an amount that is determined to have accrued at the end of the fiscal year is recorded based on the estimated amounts of the retirement benefit obligation and plan assets as of the end of the fiscal year. Prior service cost is accounted for the subsequent fiscal years as an expense calculated by using the straight-line method based on a certain years (10 years) within the average remaining service period of the employees in service during the period in which it arises. Actuarial losses are accounted for as expenses for the fiscal years calculated by using the straight-line method based on a certain years (10 years) within the average remaining service period of the employees in service during the period in which they arise.

### (5) Other Significant Items for the Preparation of Statutory Report

Accounting for consumption tax etc.

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

## 2. Additional Information

From accounting changes and error corrections which are made after the beginning of the current fiscal year, we apply "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009).

## 3. Notes for Balance Sheets

(1) Amounts less than one million yen are rounded down.

(2) Cumulative Depreciation Amounts of Property, Plant and Equipment: 5,563 million yen

(3) Contingency Liability

Under the indemnity agreement with Japan Securities Clearing Corporation (JSCC) and other five companies, as for losses incurred to JSCC because of defaults or risks of defaults of obligations of indemnity by clearing participants of JSCC, we are to compensate with other entities which have obligations of indemnity in accordance with a ratio of investment in JSCC at the time of a default occurred or when JSCC identifies risks of a default.

A limitation for the compensation is determined by amounts of default compensation reserve for cash transactions as of September 30, 2002, and the limitation amount for us is 3,569 million yen.

(4) Special Assets for Clearing Margin

We receive deposits such as clearing margin etc. from each clearing participant to collateralize against risks from participants etc's defaults during a period from settlement to clearing. These assets are categorized by their purpose and shown by the categories on the Balance Sheets because the assets are managed separating from other assets under our rules.

(5) Value of Received Collateral Financial Assets

The value of collateral securities which are not on the balance sheets, are as follows;

Collateral securities of Clearing Margin	394,862 million yen
Collateral securities of Guarantee Deposit	168 million yen
Collateral securities of Clearing Deposit	61,030 million yen

We obtain the disposition right of above collateral securities when defaults of agreements of equities trading, etc incurred.

## 4. Notes for Profit and Loss Statements

Amounts less than one million yen are rounded down.

## 5. Notes for Statements of Changes in Net Assets

(1) Amounts less than one million yen are rounded down.

(2) Type of Outstanding Shares and Number of Shares

Type of Shares	Beginning of Current Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Ordinary Shares	270,000	—	—	270,000

(3) Dividends

A. Payments of dividends

Resolution	Type of Shares	Total Dividends Paid (yen in millions)	Dividend Per Share (yen)	Dividend Record Date	Effective Date
Ordinary General Meeting held on June 22, 2011	Ordinary Shares	1,620	6,000	March 31, 2011	June 23, 2011
Board of Directors Meeting held on October 25, 2011	Ordinary Shares	1,215	4,500	September 30, 2011	December 1, 2011

- B. Dividends with the cut-off date falling within the current fiscal year and the effective date in the next fiscal year.  
It is scheduled to be resolved at the Ordinary General Meeting held on June 21, 2012 as follows:  
Item related to dividends on Ordinary Share

Total Dividends Paid	2,025 million yen
Dividend Per Share	7,500 yen (including Commemorative Dividend of 3,000 yen)
Dividend Record Date	March 31, 2012
Effective Date	June 22, 2012

The source of dividends will be retained earnings.

## 6. Note for Tax-Effect Accounting

- (1) Breakdown of the principal factors giving rise to deferred tax assets and deferred tax liabilities  
(yen in millions)

Deferred Tax Assets	
Provision for retirement benefits	776
Depreciation of intangible assets	476
Depreciation of property, plant and equipment	177
Allowance for doubtful accounts	17
Research and development expenses	199
Amortization of long-term prepaid expense	66
Provision for bonuses	69
Write-down of golf memberships	39
Long-term account payable	18
Business Tax Receivable	231
Others	25
Deferred tax asset subtotal	<u>2,097</u>
Allowance account	<u>(5)</u>
Deferred tax asset total	<u>2,091</u>
Deferred Tax Liabilities	
Unrealized gain on available-for-sale securities	<u>(0)</u>
Deferred tax liability total	<u>(0)</u>
Net deferred tax asset total	<u>2,090</u>

- (2) Breakdown of main reasons when there were significant differences between the statutory income tax rate and the effective income tax rate

Note is omitted because a difference between the statutory income tax rate and the effective income tax rate is 5 percent or less.

- (3) Amendment of amounts of Deferred Tax Assets and Deferred Tax Liabilities due to a change of tax rate of corporate tax, etc.

According to the promulgation of The Law to Revise the Income Tax, etc. in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure and The Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake" on December 2, 2011, the statutory income tax rate was changed from 40.6% of the previous fiscal year to; 38.0% for those of which redemption or payment are expected in a period between April 1, 2012 and March 31, 2015, and 35.6% for those of which redemption or payment are expected on or after April 1, 2015.

As a result, an amount of Deferred Tax Assets (an amount deducted an amount of Deferred Tax Liabilities) reduced by 210 million yen and Income Taxes-Deferred increased by 210 million yen.

## 7. Financial Instruments

- (1) Financial Instruments

### A. Management Policy

We finance mainly through highly safe securities such as government bonds and bank deposits. Finances with loans are not used. We don't use derivative trading.

### B. Nature and extent of risks arising from financial instruments

Stocks of Investment Securities are exposed to market price fluctuation risks. However, they are mainly stocks of companies that we have business relationship, and regularly assesses the market value and issuers' financial status, if the change of their market value is significant, reports at Board of Directors meetings. Debt securities are usually exposed to credit risks such as issuers' risks. However, we invest only in highly safe securities such as government bonds, credit risks are limited.

Special Assets for Clearing Margin (Clearing Margin), Special Assets for Clearing Deposit (Clearing Deposit), and Special Assets for Guarantee Deposit (Guarantee Deposit) of Liabilities on the Balance Sheets

are deposited from each clearing participant to collateralize against risks from participants etc's defaults during a period from settlement to clearing. These assets are managed separating from other assets under our rules. These assets are retained as Cash and Deposits, so that their risks are limited.

C. Supplementary explanation regarding fair value of financial instruments

Fair values of financial instruments are measured based on the quoted prices in markets or in cases where a quoted price is not available, other reasonably assessed estimated fair values are used. As such assessment is based on certain assumptions including fluctuating factors, under different assumptions, the assessed value might differ.

(2) Fair Value of Financial Instrument

The following table presents our financial instruments' balance sheet amount, fair value and the differences at March 31, 2012.

However, financial instruments for which it is difficult to measure their fair value are not included.

(yen in millions)

	Amount on the Balance Sheets	Fair Value	Difference
1. Cash and Deposits	43,222	43,222	-
2. Short-Term Investment Securities / Investment Securities Available-for-Sale Securities	1,005	1,005	-
3. Special Assets for Clearing Margin	342,743	342,743	-
4. Special Assets for Clearing Deposit	45,692	45,692	-
5. Special Assets for Guarantee Deposit	375	375	-
6. Income Taxes Payable	3,236	3,236	-

(Note1) The method for measuring fair values of financial instruments and matters relating to securities

1. Cash and Deposits

Cash and Deposits are listed at book value because they are all settled in a short time and their fair value approximates the book value.

2. Short-Term Investment Securities / Investment Securities

The fair value of equity instruments are measured at quoted market price of the stock exchange, and debt securities are measured at the quoted price obtained from counterparty financial institutions.

3. Special Assets for Clearing Margin

This item is retained as Cash and Deposit preparing for refund as need, and is listed at book value because their fair value approximates the book value.

4. Special Assets for Clearing Deposit

This item is retained as Cash and Deposit preparing for refund as need, and is listed at book value because their fair value approximates the book value.

5. Special Assets for Guarantee Deposit

This item is retained as Cash and Deposit preparing for refund as need, and is listed at book value because their fair value approximates the book value.

6. Income Taxes Payable

This item is listed at book value because they are all settled in a short time and their fair value approximates the book value.

(Note2) Unlisted stocks are not included in "2. Short-Term Investment Securities / Investment Securities Available-for-Sale Securities". It is because they do not have market prices, and therefore it is extremely difficult to determine their fair value.

(yen in millions)

Category	Amount on the Balance Sheets
Non-listed shares	950
Money Trust	10



(Note3) Scheduled redemption amounts for financial assets and securities with maturity after the consolidation date

(yen in millions)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and Deposits With maturities	23,750	-	-	-
Short Term Investment Securities / Investment Securities Available-for-Sale Securities With maturities (Government bonds/Local bonds)	1,000	-	-	-
Long-Term Deposits With maturities	-	-	-	3,000

## 8. Note for Profit and Loss on Equity Method

### (1) Affiliate Companies

We do not have any affiliates, and there is no applicable matter.

### (2) Specific Purpose Companies to be Disclosed

We do not have any specific purpose companies, and there is no applicable matter.

## 9. Notes to Per Share Information

### (1) Net Assets per Share

205,502.46 yen

Calculation of Net Assets per Share is based on followings;

Total of Net Assets on the Balance Sheets	(million yen)	55,485
Net Assets related to ordinary shares	(million yen)	55,485
Main breakdown of differences	(million yen)	—
Number of shares outstanding (ordinary shares)	(share)	270,000
Number of treasury stock (ordinary shares)	(share)	—
Number of ordinary shares used for calculation of Net Assets per Share	(share)	270,000

### (2) Net Income per Share

20,244.60 yen

Calculation of Net Income per Share is based on followings;

Net Income on the Profit and Loss Statements	(million yen)	5,466
Net Income related to ordinary shares	(million yen)	5,466
Amount not attributable to shareholders	(million yen)	—
Average number of shares outstanding (ordinary shares)	(share)	270,000

## 10. Notes for Retirement Benefits

### (1) Retirement Benefit Plans

We provide a lump-sum benefit at retirement as a defined benefit plan.

### (2) Retirement Benefit Obligations

(yen in millions)

a. Retirement benefit obligation	1,919
b. Unfunded retirement benefit obligation	1,919
c. Unrecognized actuarial gain and loss	177
d. Unrecognized prior service cost	74
e. Provision for Retirement Benefits (b+c+d)	2,170

### (3) Components of Retirement Benefit Expenses

	(yen in millions)
a. Service cost	143
b. Interest cost	27
c. Amortization of actuarial gain and (loss)	(78)
d. Amortization of prior service cost	(10)
<u>e. Retirement benefit expenses (a+b+c+d)</u>	<u>81</u>

(Note) Amount of retirement benefit expense is discounted amount on retirement benefit expense.

### (4) Basis for Calculation of Retirement Benefit Obligation

Periodic allocation method estimated amount of retirement benefit	Straight-line method
Discount rate	1.5%
Accounting period of actuarial gain and loss	10 years (Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise. )
Accounting period of prior service cost	10 years (Actuarial losses are accounted for as expenses for in subsequent fiscal years beginning the following year in which they arise calculated by using the straight-line method based on the average remaining service period of the employees in service during the period in which they arise. )

## 11. Notes for Business Combinations, etc.

A business combination whose main terms were agreed in the current fiscal year, which is not completed by the date of balance sheets, is as follows.

OSE and Tokyo Stock Exchange Group, Inc. entered into a business combination agreement, pursuant to the resolutions adopted at the companies' respective Board of Directors meetings held on November 22, 2011.

### (1) Overview of the Transaction

Name of a combined company	Tokyo Stock Exchange Group, Inc.
Businesses of a combined company	Management of a stock company-type financial instruments exchange and a self-regulatory corporation and other business
Date of the business combination	January 1, 2013 (scheduled)
A legal form of the business combination	Absorption-type merger whereby OSE will be the surviving company
Name of a surviving company	Japan Exchange Group, Inc. (tentative name)
Overview of a deal including purposes of a deal	OSE and Tokyo Stock Exchange Group, Inc. agreed to conduct a business combination including the absorption merger. It is aiming at establishing a strong position in Japan for both cash trading and derivatives trading, strengthening global competitiveness by expansion of scale, diversification of financial instruments and cost reduction, and improving convenience of participants and investors by aggregation of market functions and unification of trading systems.

### (2) Overview of an Accounting Procedure on the Transaction

OSE will be a subsidiary of Tokyo Stock Exchange Group, Inc. after a scheduled tender offer for our shares by Tokyo Stock Exchange Group, Inc. Therefore, this transaction will be treated as a transaction under common controls based on "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

### **Copy of Audit Report of Accounting Auditor**

Accounting auditor issued a clean opinion on the financial statements for the 11<sup>th</sup> fiscal year from April 1, 2011 to March 31, 2012.  
(English translation of the copy is omitted.)

### **Copy of Audit Report of Board of Auditors**

Board of auditors issued a clean opinion on the business report etc. and financial statements for the 11<sup>th</sup> fiscal year from April 1, 2011 to March 31, 2012.  
(English translation of the copy is omitted.)

## **Reference Documents for the General Meeting of Shareholders**

### **Proposals and references**

#### **Proposal No.1: Distribution of Surplus**

We demutualized in April 2001 for the first time among Japan's exchanges and have executed management placing importance on shareholder return as the only listed exchange in Japan since April 2004.

With shareholders supports, in the fiscal year ended March 31, 2012, we marked 10 years since the demutualization. Therefore, we propose Commemorative Dividend of 3,000 yen per share, and regarding a year-end dividend for the current fiscal year, propose a payment of 7,500 yen per share, which is the total of an ordinary dividend payment of 4,500 yen and the Commemorative Dividend of 3,000 yen. Accordingly, the total annual dividend payment for the current fiscal year, including the interim dividend of 4,500 yen, amounts to 12,000 yen. This is an increase of 1,500 yen compared with the previous fiscal year.

#### **Matters related to this proposal:**

1. Kind of dividend property and total book value  
Cash 2,025,000,000 yen
2. Allocation of the dividend property to shareholders  
7,500 yen per share
3. Effective date of distribution of surplus  
June 22, 2012

## Proposal No.2: Election of 11 Members of the Board

The term of office for all Members of the Board (11 Directors) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose the election of 11 Members of the Board.

Candidates for the Member of the Board are as follows:

No.	Name (Date of Birth)	Brief Biography, Position, Assignment, and Important Office(s) Concurrently Held	Number of OSE's Shares Held
1	Michio Yoneda (June 14, 1949)	<p>April, 1973      Joined The Bank of Japan</p> <p>July, 1995      General Manager, Akita Branch, ditto</p> <p>May, 1998      General Manager, Sapporo Branch, ditto</p> <p>April, 2000      Executive Director, Osaka Securities Exchange (Membership Org.)</p> <p>April, 2001      Executive Director (Member of the Board), OSE</p> <p>October, 2002   Senior Executive Director (Member of the Board), ditto</p> <p>December, 2003 President &amp; CEO (Member of the Board), ditto (To the present)</p> <p>(Assignment)    General management and Internal Inspection Office (Important Office Concurrently Held)</p> <p>Outside Director, Osaka Small and Medium Business Investment &amp; Consultation Co., Ltd.</p>	86 shares
2	Motoharu Fujikura (August 19, 1947)	<p>July, 1971      Joined Ministry of Finance (MOF)</p> <p>July, 1987      Councillor, Cabinet Secretariat</p> <p>July, 1996      Director-General, Yokohama Customs</p> <p>July, 1997      Deputy Commissioner, Commissioner's Secretariat, National Tax Agency</p> <p>July, 2000      Director, Tokyo Office, International Finance Corporation</p> <p>October, 2005   Senior Advisor to the President, OSE</p> <p>June, 2006      Executive Director (Member of the Board), ditto</p> <p>June, 2009      Senior Executive Director (Member of the Board), ditto</p> <p>April, 2010      Director (Member of the Board), Deputy President, ditto (To the present)</p> <p>(Assignment)    Self Regulation</p>	57 shares
3	Manabu Matsumoto (June 19, 1950)	<p>April, 1975      Joined Nomura Securities Co., Ltd. (Nomura Holdings Inc. at present)</p> <p>June, 1998      Director, ditto</p> <p>June, 2001      Managing Director, ditto</p> <p>June, 2003      Senior Managing Director, Nomura Holdings Inc. Executive Managing Director, Nomura Securities Co., Ltd.</p> <p>April, 2005      Executive Vice President, ditto</p> <p>June, 2005      Outside Director (Member of the Board), OSE</p> <p>January, 2009   Representative Executive Officer President &amp; CEO, Jasdaq Securities Exchange, Inc.</p> <p>April, 2010      Deputy President, OSE</p> <p>June, 2010      Director (Member of the Board), Deputy President, ditto (To the present)</p> <p>(Assignment)    Equities</p>	16 shares

No.	Name (Date of Birth)	Brief Biography, Position, Assignment, and Important Office(s) Concurrently Held	Number of OSE's Shares Held
4	Kotaro Yamazawa (October 8, 1956)	<p>April, 1980      Joined The Bank of Japan</p> <p>May, 1984      Entered the University of Pennsylvania (Obtained MBA)</p> <p>June, 2000      Chief Manager of the Personnel Dept., The Bank of Japan</p> <p>March, 2004     General Manager, Hakodate Branch, ditto</p> <p>July, 2006      Advisor, OSE</p> <p>September, 2006 Executive Officer, ditto</p> <p>June, 2008      Senior Executive Officer, ditto</p> <p>June, 2009      Director (Member of the Board), ditto</p> <p>April, 2010     Director (Member of the Board), Managing Director, ditto (To the present)</p> <p>(Assignment)    Derivatives, Integration Planning Project</p> <p>(Important Office Concurrently Held)</p> <p>Outside Director, Japan Securities Clearing Corporation</p>	7 share
5	Yoshinori Karino (November 29, 1957)	<p>April, 1980      Joined Nippon Telegraph and Telephone Public Corporation</p> <p>September, 1988 Section Manager, Financial Systems Sector, NTT Data Communications Systems Corporation (NTT DATA Corporation at present)</p> <p>April, 1995      Senior Manager, Financial Systems Sector, ditto</p> <p>August, 2006    Deputy Senior Executive Manager, Financial Systems Sector, ditto</p> <p>July, 2009      Deputy Senior Executive Manager, Third Financial Sector, ditto</p> <p>May, 2010      Senior Advisor to the President, OSE</p> <p>June, 2010      Director (Member of the Board), Managing Director, ditto (To the present)</p> <p>(Assignment)    Market Operations, Information Technology</p>	2 share
6	Tutomu Okuda (October 14, 1939)	<p>April, 1964      Joined The Daimaru Inc.</p> <p>September, 1991 Representative Director, Daimaru Australia Pty. Ltd.</p> <p>May, 1995      Director, The Daimaru Inc.</p> <p>May, 1996      Managing Director, ditto</p> <p>March, 1997     President, ditto</p> <p>May, 2003      Chairman and CEO, ditto</p> <p>June, 2006      Outside Director (Member of the Board), OSE (To the present)</p> <p>September, 2007 President and CEO, J. Front Retailing Co., Ltd. Chairman, The Daimaru, Inc.</p> <p>March, 2010     Representative Director and Chairman &amp; CEO, J. Front Retailing Co., Ltd. (To the present)</p> <p>(Important Offices Concurrently Held)</p> <p>Representative Director and Chairman &amp; CEO, J. Front Retailing Co., Ltd.</p> <p>Outside Director, Resona Holdings, Inc.</p> <p>Outside Corporate Auditor, Mainichi Broadcasting System Inc.</p>	7 share

No.	Name (Date of Birth)	Brief Biography, Position, Assignment, and Important Office(s) Concurrently Held	Number of OSE's Shares Held
7	Yusuke Kawamura (December 5, 1953)	<p>April, 1977      Joined Daiwa Securities Co., Ltd. (Daiwa Securities Group Inc. at present)</p> <p>January, 1997    General Manager, Syndicates Dept., Capital Markets Div., ditto</p> <p>March, 2000      Retired ditto</p> <p>April, 2000        Professor, Faculty of Economics and Graduate School of Nagasaki University</p> <p>June, 2007        Outside Director, Jasdaq Securities Exchange, Inc.</p> <p>April, 2009        Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>April, 2010        Senior Counselor, Daiwa Institute of Research Ltd.</p> <p>June, 2010        Outside Director (Member of the Board), OSE (To the present)</p> <p>April, 2012        Deputy Chairman, Daiwa Institute of Research Ltd. (To the present)</p> <p>(Important Offices Concurrently Held) Deputy Chairman, Daiwa Institute of Research Ltd.</p>	-
8	Yuko Kawamoto (May 31, 1958)	<p>April, 1982        Joined Bank of Tokyo, Ltd.</p> <p>September, 1988    Joined Tokyo Office, McKinsey &amp; Company</p> <p>April, 2004        Professor, Graduate School of Finance, Accounting &amp; Law, Waseda University (To the present)</p> <p>June, 2004        Outside Director (Member of the Board), OSE (To the present)</p> <p>(Important Offices Concurrently Held) Professor, Graduate School of Finance, Accounting &amp; Law, Waseda University Outside Director, Monex Group, Inc. Outside Corporate Auditor, Tokio Marine Holdings, Inc. Outside Director, Yamaha Motor Co., Ltd. Outside Director, ITOCHU Corporation</p>	20 shares
9	Taichi Sakaiya (Autonym: Kotaro Ikeguchi) (July 13, 1935)	<p>April, 1960        Joined Ministry of International Trade and Industry</p> <p>October, 1978      Started as author and economist</p> <p>July, 1998        Minister of State for Economic Planning</p> <p>December, 2000    Special Advisor to the Prime Minister</p> <p>April, 2001        Outside Director (Member of the Board), OSE (To the present)</p> <p>April, 2002        Professor of the University of Tokyo, Research Center for Advanced Science and Technology</p> <p>April, 2004        Professor of Waseda University, Graduate School of Finance, Accounting &amp; Law</p> <p>April, 2006        Professor (Special appointment), Waseda University</p> <p>(Important Offices Concurrently Held) Representative Director, Taichi-Sakaiya Office Co., Ltd. Representative Director, Taichi-Sakaiya Laboratory Co., Ltd.</p>	-

No.	Name (Date of Birth)	Brief Biography, Position, Assignment, and Important Office(s) Concurrently Held	Number of OSE's Shares Held
10	Shigeo Sasaki (October 12, 1944)	<p>April, 1969 Appointed as Public Prosecutor</p> <p>November, 2001 Chief Prosecutor of Osaka District Public Prosecutors Office</p> <p>January, 2004 Superintending Prosecutor of Sapporo High Public Prosecutors Office</p> <p>April, 2005 Superintending Prosecutor of Fukuoka High Public Prosecutors Office</p> <p>May, 2006 Superintending Prosecutor of Osaka High Public Prosecutors Office</p> <p>August, 2007 Lawyer (To the present)</p> <p>June, 2010 Outside Director (Member of the Board), OSE (To the present)</p> <p>(Important Offices Concurrently Held)</p> <p>Lawyer</p> <p>Outside Director, Osaka Securities Finance Company, Ltd.</p> <p>Outside Corporate Auditor, Kobe Steel, Ltd.</p> <p>Outside Corporate Auditor, Sekisui Jushi Corporation</p> <p>Outside Director of IwaiCosomo Securities Co., Ltd.</p>	4 shares
11	Shigeru Morimoto (March 28, 1946)	<p>April, 1969 Assistant, Faculty of Law, Kyoto University</p> <p>August, 1971 Assistant Professor, ditto</p> <p>June, 1983 Professor, ditto</p> <p>April, 1992 Professor, Graduate School of Law, ditto</p> <p>April, 2009 Professor, Graduate School of Law, Doshisha University (To the present)</p> <p>June, 2009 Outside Director (Member of the Board), OSE (To the present)</p> <p>October, 2011 Lawyer (To the present)</p> <p>(Important Office Concurrently Held)</p> <p>Professor, Graduate School of Law, Doshisha University</p> <p>Lawyer</p>	3 shares

Notes:

- No conflict of interest exists between OSE and the above candidates.
- Mr. Tsutomu Okuda, Mr. Yusuke Kawamura, Ms. Yuko Kawamoto, Mr. Taichi Sakaiya, Mr. Shigeo Sasaki, and Mr. Shigeru Morimoto are candidates for Outside Directors.
- Mr. Tsutomu Okuda, Mr. Yusuke Kawamura, Ms. Yuko Kawamoto, Mr. Taichi Sakaiya, Mr. Shigeo Sasaki, and Mr. Shigeru Morimoto are independent directors that Osaka Securities Exchange Co., Ltd. requires to retain for protection of general stakeholders.
- Reasons for electing the above as candidates for Outside Directors:
  - Mr. Tsutomu Okuda is expected to reflect his considerable experience and insight into our management as a corporate executive.
  - Mr. Yusuke Kawamura is expected to reflect his considerable insight with respect to financial business into our management from his professional perspective as an academic expert. Although he has no past experience of any company management other than by being Outside Director or Outside Auditor, for the above reason, we expected that he would be able to perform the duties as Outside Director properly.
  - Ms. Yuko Kawamoto is expected to reflect her considerable insight with respect to financial business into our management from her professional perspective as an academic expert. Although she has no past experience of any company management other than by being Outside Director or Outside Auditor, for the above reason, we expected that she would be able to perform the duties as Outside Director properly.
  - Mr. Taichi Sakaiya is expected to reflect his considerable insight with respect to economy as a whole into our management from his professional perspective as an academic expert.



Mr. Shigeo Sasaki is expected to reflect his considerable insight with respect to corporate legal affairs into our management from his professional perspective as a lawyer. Although he has no past experience in any company management other than by being Outside Director or Outside Auditor, for the above reason, we expected that he would be able to perform the duties as Outside Director properly.

Mr. Shigeru Morimoto is expected to reflect his considerable insight with respect to corporate legal affairs into our management from his professional perspective as an academic expert. Although he has no past experience of any company management other than by being Outside Director or Outside Auditor, for the above reason, we expected that he would be able to perform the duties as Outside Director properly.

5. Conclusion of the liability limitation agreement:

We have concluded a liability limitation agreement with Mr. Tsutomu Okuda, Mr. Yusuke Kawamura, Ms. Yuko Kawamoto, Mr. Taichi Sakaiya, Mr. Shigeo Sasaki and Mr. Shigeru Morimoto, pursuant to Article 423, Paragraph 1 of the Company Law. We will continue the liability limitation agreement with each of them.

The liability limit under this agreement is one million yen or a minimum amount as set by the act, whichever is greater.

6. The number of years in office of those candidates as Outside Directors at the conclusion of this Ordinary General Meeting of Shareholders is six years for Mr. Tsutomu Okuda, two years for Mr. Yusuke Kawamura, eight years for Ms. Yuko Kawamoto, 11 years and three months for Mr. Taichi Sakaiya, two years for Mr. Shigeo Sasaki, and three years for Mr. Shigeru Morimoto, respectively.

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