

A N N U A L  
R E P O R T  
F I S C A L Y E A R 2 0 1 1

Dot Commodity





Dot Commodity

## About Us

**Dot Commodity is Japan's largest and fastest growing commodity futures broker and has enjoyed phenomenal growth by offering its clients cutting edge trading tools, access to global commodity markets and low trading costs. Dot was the first FCM in Japan to offer a purely online direct market access business model and continues to be an innovator and pioneer in Japanese commodity derivative markets.**

**Dot Commodity offers a global reach with 24 hour electronic trading market availability as a Clearing Member of TOCOM and TGE, a Trading Member of SGX Derivative Markets and a wide range of product offerings from CME Group, ICE Europe and ICE U.S. Additionally, Dot offers Contract for Difference (CFD) commodity derivative products and other OTC brokerage services. Low latency market connectivity to global commodity markets is available through Dot's e-Formula Trading System, Formula - API and numerous ISV partners including Trading Technologies (TT) and CQG. Dot is singularly focused on providing its clients the best products and service possible and so does not do any proprietary trading for its own account.**

**Dot Commodity caters to both individual and institutional clientele which currently includes proprietary trading firms, commodity trading houses, commercial oil companies and financial asset managers.**



## President's Message

In 2005 Dot Commodity entered the marketplace with a completely new and innovative business model which has led to phenomenal growth in a short period of time. Dot Commodity was the first pure online commodities broker to offer direct online market access to both individual and institutional clientele in Japan without the direct solicitation of potential clients.

Dot Commodity is not only the largest and fastest growing online commodity futures broker in Japan but also the most efficient with the fewest number of employees in the industry with 26. In addition to a high level of efficiency, another factor contributing to the rapid growth of Dot Commodity is its unique business culture. The culture at Dot Commodity is based on being innovative and proactive. Whether it involves customer service, marketing or governing laws and regulations, Dot Commodity's management and employees analyze the situation from a bottom-up perspective and are constantly looking for ways to improve our product offerings, service, level of efficiency and competitiveness in the market place. If it is necessary to amend a regulation in the current marketplace then a proactive approach is taken to contact the governing ministries or exchanges to address and discuss the situation. The culture of Dot Commodity is not to blindly follow traditional and accepted ways but to innovate and lead.

The strength of Dot Commodity can also be traced to the roots of its management team and employees. The management of Dot Commodity came from the commodity futures industry and its management and core employees started their careers in the commodity futures industry at one of the largest FCMs in Japan, Mitsui Bussan Futures Ltd. (a wholly owned subsidiary of Mitsui & Co., Ltd.; one of the largest General Trading Companies "Sogo Shosha" in Japan). The experience and professionalism of both our management team and employees provide Dot Commodity a distinct advantage in the market place.

A ground breaking and efficient business model, an innovative and proactive business culture and an experienced and professional team are what makes Dot Commodity the unique company that it is today and we are well positioned for further growth in the future. Thank you for your interest in Dot Commodity and we'll continue to strive to become the preeminent commodity futures broker in Asia.

Jin Funada,  
President  
Dot Commodity, Inc.

舟田 仁

## 2011 Fiscal Year Highlights

This 2011 fiscal year (April 1st 2010 to March 31st 2011) was one of milestones for Dot Commodity and we are very pleased to report that this past fiscal year was Dot's first full profitable fiscal year. After having made large investments in system development and strategic M&A over the past five years, our business strategy and capital investments have paid off and the results are reflected in our performance over this past fiscal year with both revenues and net profit increasing dramatically. Our success over the past year has provided us with a solid platform from which to continue to expand and grow in the coming years.

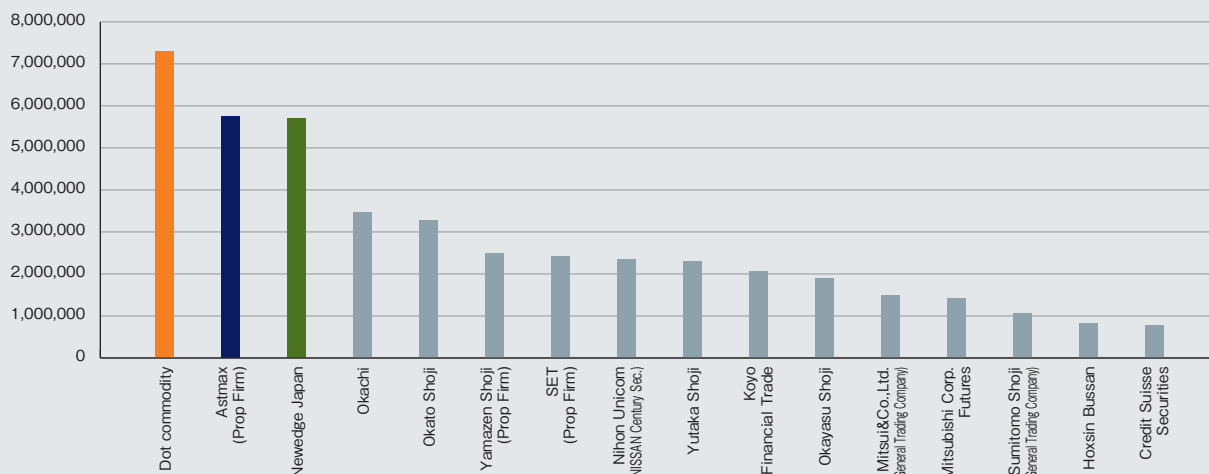
Our financial performance in fiscal year 2011 was vastly improved from fiscal year 2010. Total revenues increased by 71.7% year on year with total revenues for fiscal year 2011 being 1,505,013,637 yen versus 876,571,382 yen for fiscal year 2010. One driver of organic growth was the introduction of overseas commodity brokerage services for CME Globex products in August 2010 which greatly expanded our product offerings and is one step in our goal of expanding our presence in global derivative markets. Other drivers of organic growth last fiscal year was the decision by the Tokyo Commodity Exchange (TOCOM) to expand their trading hours from the previous closing time of 11:00 p.m. to 4:00 a.m. and the adoption of a SPAN margin system by the Japan Commodity Clearing House (JCCH). The extended TOCOM trading hours of the night session now overlap with both London and New York trading hours. Dot capitalized on the extended trading hours by offering its clients full online brokerage services for the duration of the extended trading hours and the launch of brokerage services for CME Globex products now provide clients with the opportunity to not only trade in extended hours but to also take advantage of arbitrage opportunities between Japanese and overseas commodity futures contracts.

Another milestone that was reached during this past fiscal year was that Dot Commodity became the "No.1" commodity futures broker in Japan with the highest trading volume, largest number of active client accounts and the largest amount of client funds among all commodity futures brokers in Japan. Dot Commodity acquired the online commodity brokerage operations of a large Japanese FCM which exited the market in October 2010 and successfully integrated the operations and client accounts of the FCM which contributed to our strong performance last year. In yet another milestone reached this past fiscal year, Dot Commodity introduced its new English language trading platform named e-Formula in August 2010. This was another important step in expanding our commodity futures brokerage services for Japanese commodity markets to investors and traders based outside of Japan.

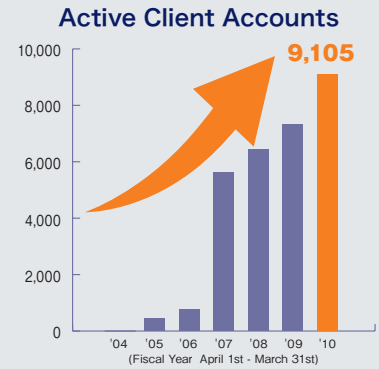
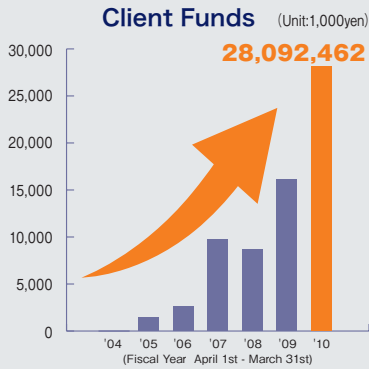
Overall, fiscal year 2011 was one of achievement and milestones at Dot Commodity and we are looking forward to meeting the challenge of improving on our performance of last year in fiscal year 2012.

### Japanese FCM Total Trading Volume – Fiscal Year 2011

(Includes Proprietary Trading Volume for other FCM. Dot Commodity has no Proprietary Trading)



## Japan's No.1 Commodity Broker

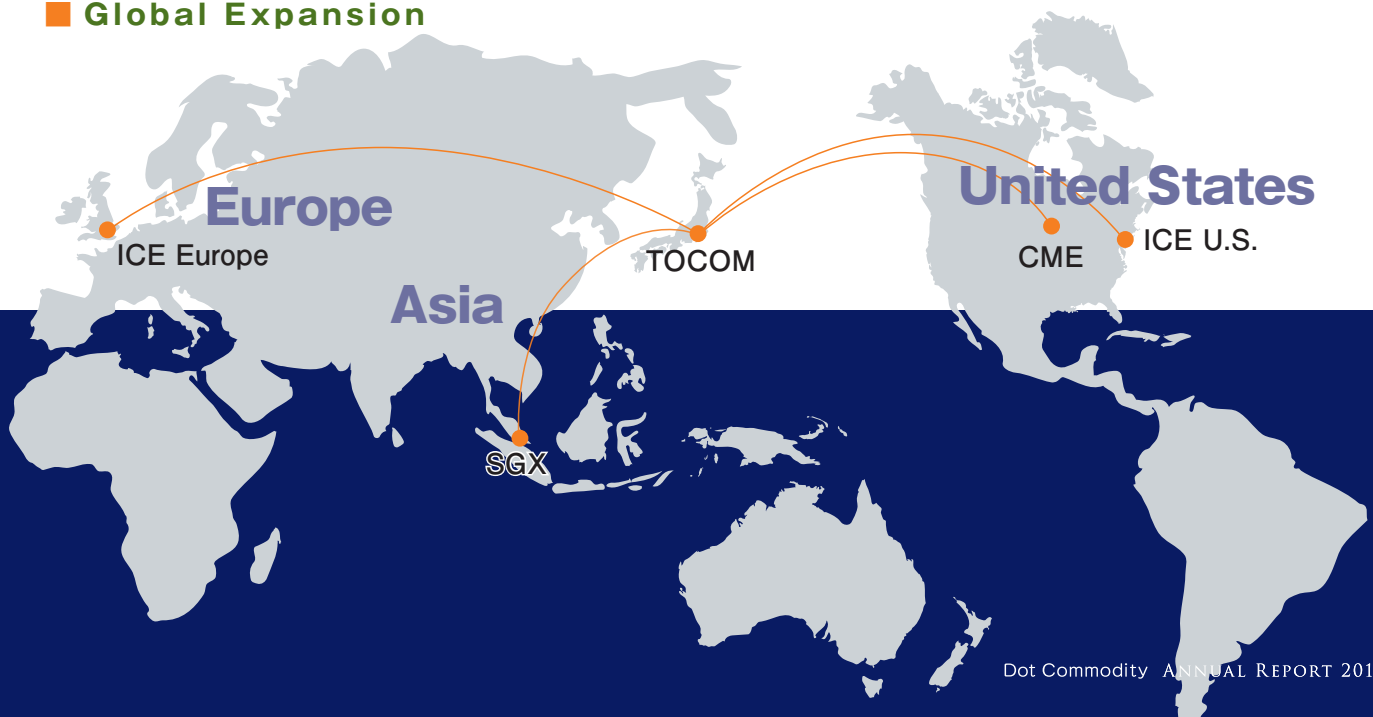


## Outlook for Fiscal Year 2012

Looking forward to the 2012 fiscal year, we expect that the importance of and interest in commodities in global financial markets and investor portfolios to continue to increase. Dot Commodity fully plans on utilizing our expertise and experience to capitalize on the growth and interest in global commodity markets. Dot Commodity will strive to continue to improve our services and financial performance in the next fiscal year by introducing new products and brokerage services, expand into new markets by forging new partnerships and relationships with a focus on Asia, develop new and enhanced trading systems while continuing to provide our clients with the superior customer service that they have come to expect from us.

Plans for the 2012 fiscal year include developing and introducing over the counter (OTC) brokerage services, obtaining exchange membership in new markets to expand our product offerings and introducing an improved trading system with expanded functionality and convenience. These and other initiatives planned for the coming year should help us to attain our goals and although we have become the largest commodity futures broker in Japan, we do not plan on resting on our laurels. Last year was an important stepping stone on the path of our goal of becoming the premier FCM in Asia and we are excited about meeting the challenges and capitalizing on the opportunities that exist in the market in fiscal year 2012 and beyond.

### Global Expansion



## ■ Highlights of the Fiscal Year 2011

**2011**

(Fiscal Year April 1st - March 31st)

Income from Operations

¥**1,505** Million

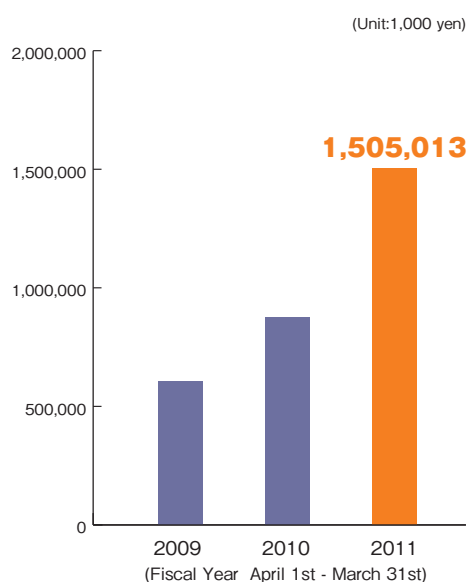
Ordinary Profit

¥**203** Million

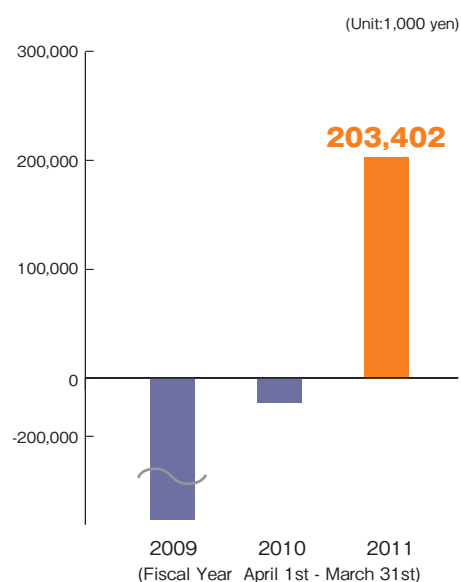
Net Profit

¥**185** Million

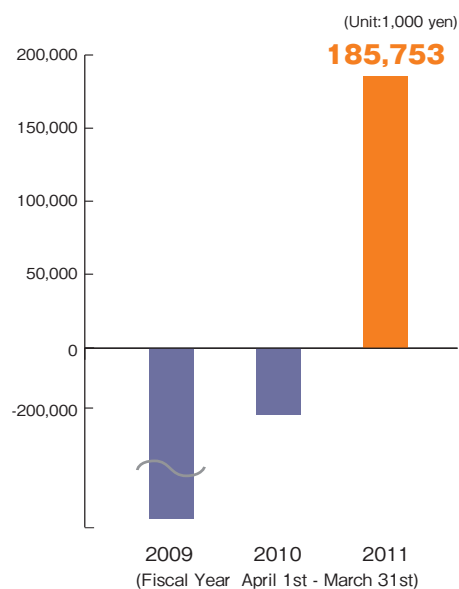
### Income from Operations



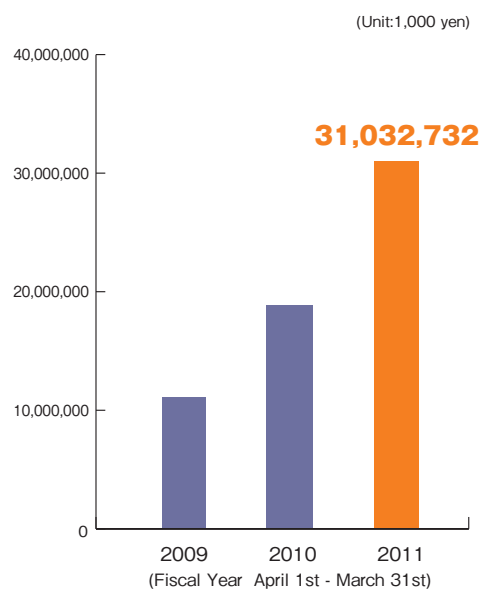
### Ordinary Profit



### Net Profit



### Total Assets



## ■ Profit and Loss Statement

Dot Commodity, Inc. (For the years ended March 31, 2010 and 2011)

	2010 (Thousands of yen)	2011 (Thousands of yen)	2011 (Thousands of U.S Dollars ※)
<b>Income from Operations</b>			
Commission Revenues	¥875,260	¥1,506,689	\$18,120
Trading Profit and Loss ( Error Account )	1,311	(1,676)	(20)
<b>Operating Expenses</b>			
Selling and General Administrative Expenses	975,500	1,312,696	15,787
<b>Operating Profit</b>	<b>(98,929)</b>	<b>192,317</b>	<b>2,313</b>
<b>Non-operating Income</b>			
Interest Income	2,176	2,027	24
Other Revenues	14,293	26,061	313
<b>Non-operating Expenses</b>			
Interest Expense	3,733	7,725	93
Other Expense	—	9,278	111
<b>Ordinary Profit</b>	<b>(86,193)</b>	<b>203,402</b>	<b>2,446</b>
<b>Special Income</b>			
Reversal of Provision for Points	2,607	—	—
<b>Special Losses</b>			
Termination Costs	76,072	—	—
Provision for Liability Reserve for Commodity Trading	122	1,531	19
Loss on Disposal of Fixed Assets	27,012	15,168	182
Impairment Loss	12,393	—	—
Loss on Cancellation of Contracts	12,251	—	—
Other Special Losses	10,702	—	—
<b>Profit before Income Taxes</b>	<b>(222,138)</b>	<b>186,703</b>	<b>2,245</b>
Income Taxes	950	950	11
<b>Net Profit</b>	<b>¥ (223,088)</b>	<b>¥ 185,753</b>	<b>\$2,234</b>

※ Exchange rate calculated at 83.15 yen which was the approximate rate on March 31, 2011

## Balance Sheet

### Dot Commodity, Inc. (For the years ended March 31, 2010 and 2011)

	2010 (Thousands of yen)	2011 (Thousands of yen)	2011 (Thousands of U.S Dollars*)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Deposits	¥444,688	¥504,800	\$6,071
Receivables from Consignors	23,246	27,582	332
Prepaid Expenses	7,546	8,722	105
Securities Held in Custody	1,172,496	1,679,168	20,194
Guarantee Money Paid	14,012,027	24,593,084	295,768
Settlement Account - Commodity Futures	618,689	1,400,094	16,838
Money on Deposit	264,277	514,366	6,186
Accounts Receivable - Other	487,979	257,540	3,097
Other Current Assets	34,061	58,357	702
Provision for Bad Debt	(21,487)	(23,866)	(287)
Total Current Assets	17,043,522	29,019,847	349,006
<b>Fixed Assets</b>			
<b>Tangible Fixed Assets</b>			
Buildings	3,839	3,346	40
Equipment and Fixtures	8,155	6,009	72
Tangible Lease Assets	7,453	5,733	69
Total Tangible Fixed Assets	19,447	15,088	181
<b>Intangible Fixed Assets</b>			
Goodwill	1,336,939	1,290,208	15,517
Telephone Subscription Rights	605	605	7
Software	50,802	82,798	996
Intangible Lease Assets	104,438	248,226	2,985
Total Intangible Fixed Assets	1,492,784	1,621,837	19,505
<b>Investments and Other Assets</b>			
Investment Securities	26,910	26,910	324
Long-term Receivables	13,143	11,106	133
Long-term Guarantee Money Paid	285,433	346,868	4,172
Long-term Prepaid Expenses	5,702	2,152	26
Provision for Bad Debt	(13,143)	(11,076)	(133)
Total Investments and Other Assets	318,045	375,960	4,522
Total Fixed Assets	1,830,276	2,012,885	24,208
<b>Total Assets</b>	<b>¥18,873,798</b>	<b>¥31,032,732</b>	<b>\$373,214</b>

\* Exchange rate calculated at 83.15 yen which was the approximate rate on March 31, 2011

## Balance Sheet

### Dot Commodity, Inc. (For the years ended March 31, 2010 and 2011)

	2010 (Thousands of yen)	2011 (Thousands of yen)	2011 (Thousands of U.S Dollars*)
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Portion of Lease Obligations	¥25,547	¥62,026	\$746
Accounts Payable	83,746	108,969	1,311
Accrued Expenses	149,487	97,027	1,167
Income Taxes Payable	5,486	6,216	75
Consumption Taxes Payable	3,631	20,450	246
Margin Received - Cash	15,215,826	26,395,878	317,449
Margin Received - Collateral Securities	1,172,496	1,679,168	20,194
Accumulated Impairment Loss - Lease Assets	2,897	2,897	35
Warrant for Delivery	—	182,618	2,196
Provision for Points	2,075	—	—
Other Current Liabilities	6,300	8,607	103
<b>Total Current Liabilities</b>	<b>16,667,491</b>	<b>28,563,856</b>	<b>343,522</b>
<b>Fixed Liabilities</b>			
Lease Obligations	95,739	212,271	2,553
Long-term Guarantee Deposited	140,206	129,000	1,551
Accumulated Impairment Loss - Long-term Lease Assets	3,138	241	3
<b>Total Fixed Liabilities</b>	<b>239,083</b>	<b>341,512</b>	<b>4,107</b>
<b>Statutory Reserve</b>			
Liability Reserve for Commodity Trading	11,246	12,777	154
<b>Total Statutory Reserve</b>	<b>11,246</b>	<b>12,777</b>	<b>154</b>
<b>Total Liabilities</b>	<b>16,917,820</b>	<b>28,918,145</b>	<b>347,783</b>
<b>Net Assets</b>			
<b>Shareholders' Equity</b>			
Capital Stock	1,899,996	1,899,996	22,850
<b>Additional Paid-in Capital</b>			
Capital Reserves	1,799,988	1,799,988	21,648
Other Additional Paid-in Capital	620,000	620,000	7,456
<b>Total Additional Paid-in Capital</b>	<b>2,419,988</b>	<b>2,419,988</b>	<b>29,104</b>
<b>Retained Earnings</b>			
Other Retained Earnings	(2,364,006)	(2,178,253)	(26,197)
Earned Surplus Carried Forwarded	(2,364,006)	(2,178,253)	(26,197)
<b>Total Retained Earnings</b>	<b>(2,364,006)</b>	<b>(2,178,253)</b>	<b>(26,197)</b>
Treasury Stock	—	(27,144)	(326)
<b>Total Shareholders' Equity</b>	<b>1,955,978</b>	<b>2,114,587</b>	<b>25,431</b>
<b>Total Net Assets</b>	<b>1,955,978</b>	<b>2,114,587</b>	<b>25,431</b>
<b>Total Liabilities and Net Assets</b>	<b>¥18,873,798</b>	<b>¥31,032,732</b>	<b>\$373,214</b>

\* Exchange rate calculated at 83.15 yen which was the approximate rate on March 31, 2011

The financial statements of Dot Commodity, Inc. (the “Company”) for the period from April 1, 2010 to March 31, 2011 have been prepared in accordance with the provisions stipulated in the Ordinance of the Ministry of Justice No. 13 of February 7, 2006 as well as the unified accounting standards for commodity trading (“shohin sakimonotorihikigyo toitsukeirikijun”), determined at the 9th Board of Directors’ Meeting on March 3, 1993 by the Commodity Futures Association of Japan Committee (“shadanhojin nihon shohin torihikiin kyokai”). Amounts less than one thousand have been rounded down in the financial statements.

## Summary of Significant Accounting Policies

### 1. Accounting for Securities

Securities held in custody are evaluated on the basis of the amount specified by Article 39, paragraph 1 of the Ordinance for Enforcement of the Commodity Exchange Act.

### 2. Depreciation Method of Fixed Assets

#### (1) Tangible Fixed Assets (other than leased assets)

Depreciation of tangible fixed assets is computed on the declining-balance method. However, the straight-line method of depreciation is applied to buildings but exclusive of attached structures purchased subsequent to April 1, 1998.

#### (2) Intangible Fixed Assets (other than leased assets)

- Goodwill is amortized over 20 years on a straight-line basis.
- Software is amortized on a straight-line basis with an estimated internal useful life of 5 years.

#### (3) Leased Assets

Finance leases without transfer of title to the Company at the lease end are depreciated over the lease term on a straight-line basis with no residual value.

In case that lease transactions regarding the finance leases, which do not transfer ownership of the leased assets to the lessee, occurred and commenced prior to the fiscal year the revised accounting standard for lease was applied, such transactions are accounted for as operating leases.

### 3. Accounting for Allowances and Statutory Reserves

#### (1) Allowances for Bad Debt

Allowances for bad debts are established to cover probable losses on receivables arising from the inability of customers to make required payments. Allowances for uncollectible general receivables are calculated using the historical loss result ratio. Allowance for receivables requiring caution is calculated on a one-on-one basis in consideration of estimated collectability.

#### (2) Liability Reserve for Commodity Trading

Under the provisions of Article 221 of the Commodity Exchange Act, the Company has accounted for the amount of liability reserves for commodity trading, which is specified in the Ordinance for Enforcement of the Commodity Exchange Act, in preparation for losses due to failure or deficiency in commodity trading.

## 4. Revenue and Expense Recognition

### (1) Commission

Commission revenues are accounted for when sale or purchase transactions by consignors are completed.

### (2) Gains or Losses on Trading

Gains or losses on commodity trading are accounted for when transactions are closed out by commodity trading and are margin- settled.

## 5. Consumption Tax

The transactions of the Company are subject to Japanese consumption tax rules but the transactions are recorded exclusive of the consumption tax.

## Notes to Balance Sheet

(Unit: 1,000 yen)

	DESCRIPTION	AMOUNTS
1	<b>Accumulated Depreciation</b> •Accumulated Depreciation on Tangible Fixed Assets	32,348
2	<b>Receivables from or Payables to the Company's affiliate</b> •Short-term Payables -Money Obligations	430
3	<b>Pledged Assets as Collateral</b> •Statutory Deposit	24,500
4	<b>Commitment Line</b> •The Company concluded the commitment line agreement with two major shareholders for the purpose of securing flexible and stable funding.	
		(Unit: 1,000 yen)
	Limit of commitment line	400,000
	Executed during the current period	—
	Available as of March 31, 2011	400,000

## Notes to Profit and Loss Statement

(Unit: 1,000 yen)

Description of transactions between the Company and its majority shareholder

•Transactions arising from the ordinary course of business 2,939

## Notes to Statement of Changes in Shareholders' Equity

As of March 31, 2011, the number of shares of common stock issued by the Company is 144,043.

As of March 31, 2011, the number of shares of treasury stock is 3,393.

As of March 31, 2011, the number of new shares with purchase warrants is 500.

## Fixed Assets under the Lease Agreement

The Company leases some of its fixed assets reported on the balance sheet as well as part of electronic computers under arrangements which were classified as finance leases without transfer of title to the Company at the lease end.

The finance leasing assets other than the lease properties of which title are transferred to the lessee, the Company, at the lease end is as follows;

Software	(Unit: 1,000 yen)
Costs	84,770
Less Accumulated Depreciation	68,542
Less Accumulated Impairment Loss	7,484
Ending balance as of March 31, 2011	8,743

As of March 31, 2011, the future minimum lease payments are as follows;

(Unit: 1,000 yen)	
From April 1, 2011 to March 31, 2012	10,121
Thereafter	230
	10,351

## Per-share Information

(Unit: Yen)	
1. Net assets per share	15,034.38
2. Profit per share (Basic)	1,315.36

### ■ IMPORTANT NOTICE

The Company has translated the above audited and unqualified financial statements into English which were prepared in accordance with generally accepted accounting standards in Japan. Please note that the Company cannot guarantee the accuracy of the translation and cannot be responsible for any unintentional misinterpretations caused by differences of subtle wording or any other causes.

## History

2004	December 1	Company Established.
2005	January 5	Press release issued announcing Rakuten, Inc. and Matsui Securities Co., Ltd. as shareholders in Dot Commodity, Inc.
	March 15	Tokyo Commodity Exchange broker membership approved.
	April 22	Futures Commission Merchant (FCM) license approved.
	May 1	Dot Commodity, Inc. officially opened for business.
	September 30	(M&A) Dot Commodity, Inc. acquired the online trading division of Globally Inc.
2007	October 1	(M&A) Dot Commodity, Himawari CX and Astmax Futures integrated their online trading operations.
	September 12	Tokyo Grain Exchange broker membership approved.
2008	September 26	Japan Commodity Clearing House (JCCH) membership approved.
	September 29	Tokyo Grain Exchange brokerage services officially began.
	October 22	(M&A) Dot Commodity acquired the online trading division of Tokyo Comwealth, Inc.
	November 28	(M&A) Dot Commodity acquired the online trading division of Yutaka Shoji Co.
	November 28	(M&A) Dot Commodity acquired the commodity futures business of United World Securities Japan KK.
	2009	March 19
2009	March 27	(M&A) Dot Commodity acquired the online division of Star Asset Securities Co., Ltd.
	April 13	CFD trading services began.
	April 27	(M&A) Dot Commodity acquired the online trading division of Taicom Securities Co., Ltd.
	August 24	Began providing clearing brokerage services on TOCOM and TGE for Kyoei Bussan.
	September 28	Began providing clearing brokerage services on TOCOM and TGE for Daiki Sangyo.
2010	March 12	Began providing brokerage and clearing services on Tocom for Meiji Bussan.
	March 23	Began providing clearing services on TOCOM and TGE for Himawari Securities Inc.
	March 26	(M&A) Dot Commodity acquired the online trading division of Invast Securities Co., Ltd.
	March 29	Began providing clearing services on TOCOM and TGE for Kanetsu Shoji Co., Ltd.
	March 29	Began providing clearing services on TOCOM and TGE for Imamura Securities Co., Ltd.
	August 18	Overseas commodity futures brokerage service begins.
	October 28	(M&A) Dot Commodity acquires the commodity futures business of Mitsubishi Corporation Futures Ltd.
	2011	January 4

## Company Profile

Corporate Name	Dot Commodity, Inc.
Address	Cera 51 Bldg. 6F, 1-21-8 Ebisu, Shibuya-ku, Tokyo 150-0013 Japan
Contact Information	TEL : +81-3-5447-3022    FAX : +81-3-5447-3026 E-mail : info@commodity.co.jp URL : <a href="http://www.commodity.co.jp/english/">http://www.commodity.co.jp/english/</a>
Establishment	December 1st, 2004 (Brokerage services started in May 2005)
Capital	1,899,990,000 JPY
Company Representative	Jin Funada - President (CEO)
Brokerage Services	Domestic Commodity Futures Brokerage Services CFD (Contract for Difference) Brokerage Services Overseas Commodity Futures Brokerage Services
Exchange Membership	Tokyo Commodity Exchange (TOCOM) Clearing Member Tokyo Grain Exchange (TGE) Clearing Member SGX Derivatives Trading Member
Major Shareholders	Rakuten, Inc. Rakuten Securities, Inc.
Industry Organization Membership	Japan Commodity Clearing House Co., Ltd. National Futures Protection Fund The Commodity Futures Association of Japan Japan Commodity Futures Industry Association FIA Japan Chapter, etc.
Corporate Banking	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank Rakuten Bank (formerly ebank)



Dot Commodity

<http://www.commodity.co.jp/english>