
***Tokyo Commodity Exchange, Inc.
and Subsidiary***

*Consolidated Financial Statements
for the Year Ended March 31, 2011,
and Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tokyo Commodity Exchange, Inc.:

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 13, 2011

Tokyo Commodity Exchange, Inc. and Subsidiary

Consolidated Balance Sheet
March 31, 2011

<u>ASSETS</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars (Note 1)</u>	<u>LIABILITIES AND EQUITY</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars (Note 1)</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Member deposits—deposits held in banks (Notes 7 and 15)	¥ 287	\$ 3,448	Suspense receipt of delivery payment (Notes 5 and 15)	¥ 12,131	\$ 145,890
Clearing margin—deposits held in banks (Notes 8 and 15)	60,959	733,123	Clearing margin (Notes 8 and 15)	117,195	1,409,445
Clearing funds—deposits held in banks (Notes 8 and 15)	6,168	74,185	Accounts payable	242	2,915
Cash and cash equivalents (Note 15)	15,507	186,494	Current portion of long-term debt (Note 9)	73	878
Time deposits and banking arrangements other than cash equivalents (Notes 6 and 15)	1,500	18,040	Accrued payments on mark-to-market profit	1,186	14,259
Marketable securities (Notes 4 and 15)	4,267	51,312	Other current liabilities (Note 18)	<u>460</u>	<u>5,527</u>
Operating accounts receivable (Note 15)	43	523			
Income taxes receivable	22	260	Total current liabilities	<u>131,287</u>	<u>1,578,914</u>
Accrued receivables on mark-to-market loss	1,186	14,259			
Supplies	4	54	LONG-TERM LIABILITIES:		
Deferred tax assets (Note 14)	14	171	Long-term debt (Note 9)	274	3,299
Other current assets	<u>547</u>	<u>6,568</u>	Liability for employees' retirement benefits (Note 10)	647	7,778
			Provision for directors' and corporate auditors' retirement benefits	18	214
Total current assets	<u>90,504</u>	<u>1,088,437</u>	Member deposits (Notes 7 and 15)	287	3,448
			Long-term accounts payable for directors' retirement benefits	258	3,099
PROPERTY AND EQUIPMENT:			Clearing funds (Note 15)	8,155	98,073
Buildings and structures	3,671	44,155	Other	<u>13</u>	<u>174</u>
Others	<u>1,435</u>	<u>17,260</u>			
Total	<u>5,106</u>	<u>61,415</u>	Total long-term liabilities	<u>9,652</u>	<u>116,085</u>
Accumulated depreciation	<u>(2,359)</u>	<u>(28,367)</u>			
			EQUITY (Note 11):		
Net property and equipment	<u>2,747</u>	<u>33,048</u>	Common stock—authorized, 15,000,000 shares; issued, 3,041,000 shares in 2011	1,989	23,926
			Non-voting stock—authorized, 100,000 shares; issued, 83,573 shares in 2011		
INVESTMENTS AND OTHER ASSETS:			Capital surplus	2,011	24,191
Software	2,685	32,290	Retained earnings	<u>6,569</u>	<u>78,992</u>
Investment securities (Notes 4, 6 and 15)	22,158	266,481	Total	10,569	127,109
Investments in associated company	5	60	Minority interests	<u>971</u>	<u>11,677</u>
Long-term time deposits (Notes 6 and 15)	34,000	408,900			
Deferred tax assets (Note 14)	23	276	Total equity	11,540	138,786
Other assets	<u>357</u>	<u>4,293</u>			
Total investments and other assets	<u>59,228</u>	<u>712,300</u>			
TOTAL	<u>¥152,479</u>	<u>\$1,833,785</u>	TOTAL	<u>¥152,479</u>	<u>\$1,833,785</u>

See notes to consolidated financial statements.

Tokyo Commodity Exchange, Inc. and Subsidiary

Consolidated Statement of Income and Comprehensive Income Year Ended March 31, 2011

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars (Note 1)</u>
REVENUES:		
Annual membership fee	¥ 84	\$ 1,006
Exchange fee	2,703	32,515
Clearing fee	102	1,222
Income from membership registration	10	115
Income from market data distribution	58	700
Income from trading system services	<u>170</u>	<u>2,043</u>
Total revenues	3,127	37,601
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 19)	<u>4,297</u>	<u>51,673</u>
Operating loss	<u>(1,170)</u>	<u>(14,072)</u>
OTHER INCOME (EXPENSES):		
Interest and dividend income	471	5,669
Entry adjustment money for new members (Note 12)	70	842
Income from electronic trading systems (Note 13)	15	180
Gain on negative goodwill (Note 3)	857	10,307
Gain on step acquisitions (Note 3)	364	4,377
Interest expense	(2)	(19)
Other—net (Note 18)	<u>49</u>	<u>575</u>
Other income—net	<u>1,824</u>	<u>21,931</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>654</u>	<u>7,859</u>
INCOME TAXES (Note 14):		
Current	93	1,116
Deferred	<u>(4)</u>	<u>(54)</u>
Total income taxes	<u>89</u>	<u>1,062</u>
NET INCOME BEFORE MINORITY INTERESTS	565	6,797
MINORITY INTERESTS IN NET INCOME	<u>40</u>	<u>488</u>
NET INCOME	525	6,309
MINORITY INTERESTS IN NET INCOME	<u>40</u>	<u>488</u>
NET INCOME BEFORE MINORITY INTERESTS	<u>565</u>	<u>6,797</u>
COMPREHENSIVE INCOME	<u>¥ 565</u>	<u>\$ 6,797</u>

Tokyo Commodity Exchange, Inc. and Subsidiary

Consolidated Statement of Income and Comprehensive Income Year Ended March 31, 2011

	<u>Millions of Yen</u>	Thousands of U.S. Dollars (Note 1)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥525	\$6,309
Minority interests	40	488
	<u>Yen</u>	<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.o)—Basic net income	¥172.52	\$2.07

See notes to consolidated financial statements.

Tokyo Commodity Exchange, Inc. and Subsidiary

Consolidated Statement of Changes in Equity
Year Ended March 31, 2011

	Thousands	Millions of Yen					Total Equity
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Total	Minority Interests	
BALANCE, APRIL 1, 2010	3,125	¥1,989	¥2,011	¥6,044	¥10,044		¥10,044
Net income				525	525		525
Net change in the year						¥971	971
BALANCE, MARCH 31, 2011	<u>3,125</u>	<u>¥1,989</u>	<u>¥2,011</u>	<u>¥6,569</u>	<u>¥10,569</u>	<u>¥971</u>	<u>¥11,540</u>

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	\$23,926	\$24,191	\$72,683	\$120,800		\$120,800
Net income			6,309	6,309		6,309
Net change in the year					\$11,677	11,677
BALANCE, MARCH 31, 2011	<u>\$23,926</u>	<u>\$24,191</u>	<u>\$78,992</u>	<u>\$127,109</u>	<u>\$11,677</u>	<u>\$138,786</u>

See notes to consolidated financial statements.

Tokyo Commodity Exchange, Inc. and Subsidiary

Consolidated Statement of Cash Flows Year Ended March 31, 2011

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars (Note 1)</u>
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 654	\$ 7,859
Adjustments for:		
Income taxes—paid	(84)	(1,007)
Income taxes—refunded	8	100
Depreciation and amortization	1,084	13,034
Gain on negative goodwill	(857)	(10,307)
Gain on step acquisitions	(364)	(4,377)
Changes in assets and liabilities:		
Increase in liability for employees' retirement benefits	74	890
Increase in provision for directors' and corporate auditors' retirement benefits	10	126
Decrease in operating accounts receivable	18	218
Increase in suspense receipt of delivery payment	8,506	102,295
Other—net	58	682
Total adjustments	<u>8,453</u>	<u>101,654</u>
Net cash provided by operating activities	<u>9,107</u>	<u>109,513</u>
INVESTING ACTIVITIES:		
Decrease in time deposits—net	1,200	14,432
Decrease in long-term loans receivable—net	16	192
Purchases of property and equipment	(81)	(969)
Purchases of software	(566)	(6,808)
Purchase of stock of subsidiary and affiliate	(315)	(3,787)
Increase of cash and cash equivalents from purchase of investment in subsidiary resulting in change in scope of consolidation (Note 16)	1,165	14,014
Other—net	<u>(13)</u>	<u>(160)</u>
Net cash provided by investing activities	<u>1,406</u>	<u>16,914</u>
FINANCING ACTIVITIES:		
Proceeds from long-term loans payable	345	4,149
Repayments of lease obligations	<u>(1)</u>	<u>(6)</u>
Net cash provided by financing activities	<u>344</u>	<u>4,143</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,857	130,570
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,650</u>	<u>55,924</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥15,507</u>	<u>\$186,494</u>

See notes to consolidated financial statements.

Tokyo Commodity Exchange, Inc. and Subsidiary

Notes to Consolidated Financial Statements Year Ended March 31, 2011

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Tokyo Commodity Exchange, Inc. (the "Exchange") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Commodity Derivatives Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of income and comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as of March 31, 2011 include the accounts of the Exchange and its subsidiary (together, the "Group"). Under the control or influence concept, any company in which the Exchange, directly or indirectly, is able to exercise control over operations is fully consolidated.

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

Investments in associated company are stated at cost. If the equity method of accounting had been applied to the investments in this company, the effect on the accompanying consolidated financial statements would not be material.

- b. Business Combination**—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

- c. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

- d. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; (2) investment securities in associated company are reported at cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- e. Property and Equipment**—Property and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 6 to 50 years for buildings and structures. The useful lives for lease assets are the terms of the respective leases.

- f. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. Other Assets**—Software is stated at cost. Amortization is computed by the straight-line method at rates based on the estimated useful lives (5 years) of the assets.
- h. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Exchange's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- i. Retirement Benefits**—The Exchange and subsidiary have an unfunded severance indemnities plan for its employees and accounts for the liability for retirement benefits based on the projected benefit obligations at the balance sheet date.
- j. Provision for Directors' and Corporate Auditors' Retirement Benefits**—Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.
- k. Asset Retirement Obligations**—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was immaterial.

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

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

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

- m. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- n. Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive income.
- o. Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because no dilutive shares exist.

The Board of Directors approved to pay no dividend from the appropriation of retained earnings for the year ended March 31, 2011 at the meeting held on May 24, 2011.

3. BUSINESS COMBINATION

Business combination by share acquisition during the year ended March 31, 2011 is as follows:

a. Outline of the Transactions

(1) Name and business of acquired company

Name of acquired company: Japan Commodity Clearing House Co., Ltd. ("JCCH")
Description of business: Provide clearing and settlement service for commodity transactions

(2) Outline and purpose of the transaction

To secure a closer relationship with JCCH in order to strengthen the clearing function in the commodity futures arena

(3) *Effective date of business combination*

October 1, 2010

(4) *Legal form of business combination*

Share acquisition

(5) *Share of voting rights acquired*

Voting rights ratio before the combination:	42.0%
Voting rights ratio additionally acquired on the combination:	21.3%
Voting rights ratio after the combination:	63.3%

(6) *Reasons for determining the acquiring company*

Since the Exchange acquired 63.3% of the shares of JCCH, the Exchange became the acquiring party.

b. *Period of Operation of Acquired Company Included in the Accompanying Consolidated Financial Statements*

From October 1, 2010 to March 31, 2011

c. *Acquisition Cost of Acquired Company and Its Breakdown*

Consideration of Acquisition

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Common stock and preferred stock I of JCCH held before the combination date	¥846	\$10,175
The fair value of preferred stock on the combination date—Acquisition cost of common stock and preferred stock II of JCCH additionally obtained on the combination date	198	2,381

d. *Amount of Gain on Step Acquisition*

¥364 million (\$4,377 thousand)

e. *Gain on Negative Goodwill and Reason for Recognizing Gain on Negative Goodwill*

(1) *Amount of gain on negative goodwill*

¥857 million (\$10,307 thousand)

(2) *Reason for recognizing gain on negative goodwill*

The fair value of the acquired JCCH's assets and liabilities exceeded the total acquisition cost of the Exchange's acquired shares of JCCH.

f. Assets and Liabilities of the Acquired Company as of the Date of the Business Combination

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Current assets	¥ 60,045	\$ 722,124
Fixed assets	74,533	896,370
Total assets	134,578	1,618,494
Current liabilities	122,509	1,473,351
Long-term liabilities	9,236	111,079
Total liabilities	131,745	1,584,430

g. Estimated Impact on Consolidated Financial Results if the Business Combination Had Been Completed at the Beginning of the Fiscal Year (April 1, 2010) (Unaudited)

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Revenues	¥ 89	\$1,074
Income before income taxes and minority interests	208	2,507
Net income before minority interests	67	812
Net income	—	—

Note: The above estimated amounts were the amounts of difference between revenues and income calculated as if the business combination had been completed at the beginning of the fiscal year (April 1, 2010) and revenues and income per the Company's consolidated statement of income and comprehensive income.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 consisted of the following:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Current—Government bonds	¥ 4,267	\$ 51,312
Total	<u>¥ 4,267</u>	<u>\$ 51,312</u>
Non-current:		
Government bonds	¥22,155	\$266,442
Available-for-sale securities	<u>3</u>	<u>39</u>
Total	<u>¥22,158</u>	<u>\$266,481</u>

The carrying amount and aggregate fair value of marketable and investment securities at March 31, 2011 were as follows:

<u>March 31, 2011</u>	<u>Millions of Yen</u>			
	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as held-to-maturity debt securities	¥26,422	¥494		¥26,916

<u>March 31, 2011</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as held-to-maturity debt securities	\$317,754	\$5,938		\$323,692

5. SUSPENSE RECEIPT OF DELIVERY PAYMENT

Suspense receipt of delivery payment stands for a cash deposit of delivery payments relating to transactions in the Oil market division.

6. OVERDRAFT FACILITY

The Exchange entered into an overdraft facility with a financial institution. The maximum amount of the overdraft facility as of March 31, 2011 is ¥1,500 million (\$18,040 thousand). Time deposits in the amount of ¥500 million (\$6,013 thousand) and investment securities in the amount of ¥1,100 million (\$13,228 thousand) are pledged as collateral for the overdraft facility as of March 31, 2011. The overdraft facility is not utilized as of March 31, 2011.

7. MEMBER DEPOSITS

According to the Commodity Derivatives Act and other relevant rules of the Exchange, the Exchange receives member deposits from each member. Deposited assets are in the form of cash or acceptable substitute securities in accordance with the rules of the Exchange. The substitute securities are not included in the balance sheet because the Exchange is not authorized to dispose the securities. The applied price of the substitute securities as of March 31, 2011 is ¥31 million (\$377 thousand).

8. CLEARING MARGIN AND CLEARING FUNDS

According to the Commodity Derivatives Act and other relevant rules of JCCH, JCCH receives clearing margin and clearing funds from each member. Deposited assets are in the form of cash or acceptable substitute securities in accordance with the rules of JCCH. The substitute securities are not included in the balance sheet because JCCH is not authorized to dispose the securities. The applied price of the substitute securities for clearing margin and clearing funds as of March 31, 2011 is ¥46,146 million (\$554,969 thousand) and ¥2,188 million (\$26,316 thousand), respectively.

9. LONG-TERM DEBT

Long-term debt at March 31, 2011 consisted of the following:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Bank loans with average interest rate of 1.4% at March 31, 2011	¥345	\$4,149
Lease obligations	<u>2</u>	<u>28</u>
Total	<u>¥347</u>	<u>\$4,177</u>

Annual maturities of long-term debt at March 31, 2011 were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2012	¥ 73	\$ 878
2013	73	878
2014	72	869
2015	72	866
2016	<u>57</u>	<u>686</u>
Total	<u>¥347</u>	<u>\$4,177</u>

10. RETIREMENT BENEFITS

Retirement allowances for employees are determined on the basis of length of service and current base salary at the time of termination. If the termination is involuntary, the employee is usually entitled to a larger payment than in the case of voluntary termination.

The liability for employees' retirement benefits at March 31, 2011, consisted of the following:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Projected benefit obligation	<u>¥647</u>	<u>\$7,778</u>
Net liability	<u>¥647</u>	<u>\$7,778</u>

The components of net periodic retirement benefit costs for the year ended March 31, 2011 are as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Service cost	<u>¥77</u>	<u>\$924</u>
Net periodic retirement benefit costs	<u>¥77</u>	<u>\$924</u>

11. EQUITY

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

a. Dividends

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

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Exchange converted its organizational structure from a membership organization to a corporation on December 1, 2008, pursuant to the provision of Article 121 of the Commodity Derivatives Act. According to the organizational conversion plan approved at the extraordinary meeting of members held on July 29, 2008, the Exchange, at the time of the conversion to corporation, allocated 12,400 shares of common stock and of non-voting stock, from the calculations based on a unit number of contribution and the corporate value of the Exchange on the day preceding the conversion to corporation, to each former member (91 members as of November 30, 2008). This led to the total number of shares issued to reach 1,211,973 shares. Member's capital of ¥598 million was transferred into common stock and admission money of ¥629 million was transferred into other capital surplus. Cash-in-lieu payments at the conversion to corporation of ¥8 million were distributed from other capital surplus.

Also at the time of the conversion to corporation, the Exchange raised ¥2,782 million through third party fundraising by issuing 1,912,600 shares of new common stock at an issue price of ¥1,455 per share and one-half of raised amount was allocated to additional paid-in capital.

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Non-voting Stock

Non-voting shareholders may not exercise voting rights with respect to any of the matters that can be voted on at the general meeting of shareholders.

Under the current share multiplier prescribed by the Exchange, 1 share of non-voting stock corresponds to 100 shares of common stock. Under certain circumstances, 1 share of non-voting stock will be converted into 100 shares of common stock.

When the Exchange distributes a dividend to the common stock holders, it shall also distribute a dividend to the non-voting stock holders at the rate of 1.2 times per 1 share of non-voting stock (equivalent to 100 shares of common stock).

If the Exchange distributes residual assets to the common stock holders, it shall also distribute residual assets to the non-voting stock holders based on the proportion of 100 shares of common stock to 1 non-voting stock.

12. ENTRY ADJUSTMENT MONEY FOR NEW MEMBERS

Entry adjustment money for new members was received as adjustment payments paid in installments from new broker membership holders contributing to the existing members' efforts to establish and maintain the existing markets of the Exchange. The entry adjustment money for new members has been abolished at the time of the conversion to corporation. However, payments are still made by some of the new broker membership holders who have not completed the installment payments.

13. INCOME FROM ELECTRONIC TRADING SYSTEMS

Income from electronic trading systems was received as adjustment payments paid in installments as a share of expenses for trading system development from former market and broker members. The income from electronic trading systems has been abolished at the time of the conversion to corporation. However, payments are still made by some of the former market and broker members who have not completed the installment payments.

14. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the year ended March 31, 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 are as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Deferred tax assets:		
Advances received from trading system usage fees of other companies	¥ 212	\$ 2,552
Accrued bonuses	21	248
Liability for employees' retirement benefits	263	3,166
Long-term accounts payable for directors' retirement benefits	104	1,251
Tax loss carryforwards	1,262	15,176
Other	38	464
Less valuation allowance	<u>(1,863)</u>	<u>(22,410)</u>
Total	<u>37</u>	<u>447</u>
Net deferred tax assets	<u>¥ 37</u>	<u>\$ 447</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2011 is as follows:

Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	0.3
Inhabitant tax	0.5
Changes in valuation allowance	46.4
Gain on negative goodwill	(53.3)
Gain on step acquisitions	(22.6)
Other—net	<u>1.5</u>
Actual effective tax rate	<u>13.5%</u>

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

a. Policy Relating to the Status of Investments in Financial Instruments

Following the Group's risk-free investment policy, funds are invested in a range of conservative financial instruments such as time deposits, government bonds and the like. In general, the Group mostly raises funds through its own resources, but partly relies on financial institutions for larger investments, such as funds needed to invest in trading systems. In addition, overdraft agreements were also secured with banks in case of an emergency.

Financial securities held are mostly government bonds, in accordance with the Group's rules that provide for safe and reliable fund management.

As for operating accounts receivable from Group members, apart from a rigorous review at the time of membership acquisition, the financial status of members is also re-examined annually in order to reduce credit risk.

b. Fair Values of Financial Instruments

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

(1) Fair value of financial instruments

<u>March 31, 2011</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Member deposits—Deposits held in banks	¥ 287	¥ 287	
Clearing margin—Deposits held in banks	60,959	60,959	
Clearing funds—Deposits held in banks	6,168	6,168	
Cash and cash equivalents	15,507	15,507	
Time deposits and banking arrangements other than cash equivalents	1,500	1,500	
Operating accounts receivable	43	43	
Marketable and investment securities	26,422	26,916	¥494
Long-term time deposits	<u>34,000</u>	<u>34,000</u>	<u> </u>
Total	<u>¥144,886</u>	<u>¥145,380</u>	<u>¥494</u>
Suspense receipt of delivery payment	¥ 12,131	¥ 12,131	
Clearing margin	<u>117,195</u>	<u>117,195</u>	<u> </u>
Total	<u>¥129,326</u>	<u>¥129,326</u>	<u> </u>

<u>March 31, 2011</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Member deposits—Deposits held in banks	\$ 3,448	\$ 3,448	
Clearing margin—Deposits held in banks	733,123	733,123	
Clearing funds—Deposits held in banks	74,185	74,185	
Cash and cash equivalents	186,494	186,494	
Time deposits and banking arrangements other than cash equivalents	18,040	18,040	
Operating accounts receivable	523	523	
Marketable and investment securities	317,754	323,693	\$5,939
Long-term time deposits	<u>408,900</u>	<u>408,900</u>	<u> </u>
Total	<u>\$1,742,467</u>	<u>\$1,748,406</u>	<u>\$5,939</u>
Suspense receipt of delivery payment	\$ 145,890	\$ 145,890	
Clearing margin	<u>1,409,445</u>	<u>1,409,445</u>	<u> </u>
Total	<u>\$1,555,335</u>	<u>\$1,555,335</u>	<u> </u>

Member Deposits—Deposits Held in Banks, Clearing Margin—Deposits Held in Banks, Clearing Funds—Deposits Held in Banks, Cash and Cash Equivalents, Time Deposits and Banking Arrangements Other Than Cash Equivalents and Operating Accounts Receivable

The carrying values of member deposits—deposits held in banks, clearing margin—deposits held in banks, clearing funds—deposits held in banks, cash and cash equivalents, time deposits and banking arrangements other than cash equivalents, and operating accounts receivable approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the reference prices for OTC bond transactions published by Japan Securities Dealers Association. The information of the fair value for marketable and investment securities by classification is included in Note 4.

Long-Term Time Deposits

The book value is used for long-term time deposits because there is no material difference between the book value and the market value; additionally the actual interest rate will be in close range to the expected interest rate for new depositories.

Suspense Receipt of Delivery Payment and Clearing Margin

The carrying values of suspense receipt of delivery payment and clearing margin approximate fair value because of their short settlements.

(2) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

<u>March 31, 2011</u>	<u>Carrying Amount</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Investment securities that do not have a quoted market price in an active market	¥ 3	\$ 39
Member deposits	287	3,448
Clearing funds	<u>8,155</u>	<u>98,073</u>
Total	<u>¥8,445</u>	<u>\$101,560</u>

c. *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

<u>March 31, 2011</u>	<u>Millions of Yen</u>			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Member deposits—Deposits held in banks	¥ 287			
Clearing margin—Deposits held in banks	60,959			
Clearing funds—Deposits held in banks	6,168			
Cash and cash equivalents	15,507			
Time deposits and banking arrangements other than cash equivalents	1,500			
Operating accounts receivables	43			
Investment securities	4,259	¥21,073	¥1,000	
Long-term time deposits		<u>34,000</u>		
Total	<u>¥88,723</u>	<u>¥55,073</u>	<u>¥1,000</u>	

<u>March 31, 2011</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year through 5 Years</u>	<u>Due after 5 Years through 10 Years</u>	<u>Due after 10 Years</u>
Member deposits—Deposits held in banks	\$ 3,448			
Clearing margin—Deposits held in banks	733,123			
Clearing funds—Deposits held in banks	74,185			
Cash and cash equivalents	186,494			
Time deposits and banking arrangements other than cash equivalents	18,040			
Operating accounts receivables	523			
Investment securities	51,221	\$253,436	\$12,026	
Long-term time deposits		<u>408,900</u>		
Total	<u>\$1,067,034</u>	<u>\$662,336</u>	<u>\$12,026</u>	

a. Description of reportable segments

The Group's reportable segments correspond to segments for which separate financial information is available and for which regular reviews by the Board of Directors are conducted in order to decide how resources should be allocated and to evaluate business performances. The Group consists of two reportable business segments: the "Exchange business," consisting of the establishment and operations of commodity futures markets primarily by the Exchange, and the "Clearing business," consisting of commodity futures transaction clearing operations primarily by JCCH, the consolidated subsidiary.

b. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting methods used in each reportable segment are consistent with those in Note 2, "Summary of Significant Accounting Policies." Profit or loss amounts for the reportable segments are ordinary profits or losses.

c. Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen						
	Reportable Segment			Other (Notes)	Total	Reconciliations	Consolidated
	Exchange Business	Clearing Business	Total				
Sales:							
Sales to external customers	¥ 3,025	¥ 102	¥ 3,127		¥ 3,127	¥ 3,127	
Intersegment sales or transfers							
Total	<u>¥ 3,025</u>	<u>¥ 102</u>	<u>¥ 3,127</u>		<u>¥ 3,127</u>	<u>¥ 3,127</u>	
Segment profit (loss)	¥ (751)	¥ 209	¥ (542)		¥ (542)	¥ (568)	
Segment assets	23,474	129,923	153,397		153,397	152,479	
Other:							
Depreciation	1,046	38	1,084		1,084	1,084	
Interest income	41	431	472		472	472	
Interest expense		2	2		2	2	
Increase in property and equipment and intangible assets	429	134	563		563	563	

	Thousands of U.S. Dollars						
	Reportable Segment			Other (Notes)	Total	Reconciliations	Consolidated
	Exchange Business	Clearing Business	Total				
Sales:							
Sales to external customers	\$ 36,378	\$ 1,223	\$ 37,601		\$ 37,601	\$ 37,601	
Intersegment sales or transfers							
Total	<u>\$ 36,378</u>	<u>\$ 1,223</u>	<u>\$ 37,601</u>		<u>\$ 37,601</u>	<u>\$ 37,601</u>	
Segment profit (loss)	\$ (9,035)	\$ 2,511	\$ (6,524)		\$ (6,524)	\$ (6,832)	
Segment assets	282,309	1,562,518	1,844,827		1,844,827	1,833,785	
Other:							
Depreciation	12,583	451	13,034		13,034	13,034	
Interest income	488	5,181	5,669		5,669	5,669	
Interest expense		19	19		19	19	
Increase in property and equipment and intangible assets	5,160	1,614	6,774		6,774	6,774	

Notes: The Group consists of only two business segments (the Exchange business and the Clearing business) and there are therefore no other segments included under "Other."

The amounts noted under the column Reconciliations correspond to net amounts overall in the business segments.

d. Related information

(1) *Information regarding product and service*

Information about revenues from customers of the Group for the year ended March 31, 2011 is as follows:

	Millions of Yen			
	<u>Exchange Fee</u>	<u>Clearing Fee</u>	<u>Other</u>	<u>Total</u>
Revenues from customers	<u>¥2,797</u>	<u>¥102</u>	<u>¥228</u>	<u>¥3,127</u>
	Thousands of U.S. Dollars			
	<u>Exchange Fee</u>	<u>Clearing Fee</u>	<u>Other</u>	<u>Total</u>
Revenues from customers	<u>\$33,636</u>	<u>\$1,222</u>	<u>\$2,743</u>	<u>\$37,601</u>

(2) *Geographical information*

Geographical segment information for the year ended March 31, 2011 has been omitted because both total sales and assets of the domestic segment were more than 90% of the total sales and assets of all segments.

(3) *Revenues from main customers*

Information about revenues from main customers of the Group for the year ended March 31, 2011 is as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Dot Commodity, Inc.	¥315	\$3,783

(4) *Information regarding gain on negative goodwill*

An ¥857 million (\$10,307 thousand) gain on negative goodwill was recorded in the clearing business. This gain results from JCCH, a company involved in the clearing business, becoming a subsidiary following the acquisition of additional JCCH shares.

18. RELATED PARTY DISCLOSURES

Related party transactions for the year ended March 31, 2011 are as follows:

a. Transactions

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
A company in which an officer of subsidiary is a Representative—Tokyo Grain Exchange Inc.	Receipt of initial cost of trading system usage (see Notes 1 and 2 below)	¥235	\$2,825

b. Balances

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
A company in which an officer of subsidiary is a Representative—Tokyo Grain Exchange Inc.	Accrued income (see Note 2 below)	¥203	\$2,441

Notes: 1. The initial cost of trading system usage was determined through discussions between Tokyo Grain Exchange Inc. and the Exchange in reference to general system construction cost.

2. Consumption taxes are included in transactions and balances.

19. DETAILS OF OPERATING EXPENSES

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

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
System maintenance and operation costs	¥1,465	\$17,618
Depreciation and amortization	1,065	12,807

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