
Tokyo Commodity Exchange, Inc.

*Financial Statements for the
Years Ended March 31, 2010 and 2009,
and Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Tokyo Commodity Exchange, Inc. (the "Exchange") as of March 31, 2010 and 2009, and the related statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Exchange's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Commodity Exchange, Inc. as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 15, 2010

Tokyo Commodity Exchange, Inc.

Balance Sheets
March 31, 2010 and 2009

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010		2010	2009	2010
CURRENT ASSETS:				CURRENT LIABILITIES:			
Member deposits—deposits held in banks (Note 7)	¥ 257	¥ 253	\$ 2,757	Suspense receipt of delivery payment (Notes 5 and 17)	¥ 3,625	¥ 4,613	\$ 38,961
Cash and cash equivalents (Note 17)	4,650	7,655	49,980	Accounts payable (Note 17)	330	706	3,552
Time deposits and banking arrangements other than cash equivalents (Notes 6 and 17)	1,500	2,900	16,122	Accrued expenses	6	23	65
Operating accounts receivable (Note 17)	62	21	662	Accrued bonuses	43	56	465
Income taxes receivables (Note 14)	1	62	5	Other current liabilities	16	11	162
Supplies	5	9	59				
Other current assets	168	108	1,812	Total current liabilities	4,020	5,409	43,205
Total current assets	6,643	11,008	71,397	LONG-TERM LIABILITIES:			
PROPERTY AND EQUIPMENT:				Member deposits (Notes 7 and 17)	257	253	2,757
Land	38	79	412	Liability for employees' retirement benefits (Note 8)	557	592	5,982
Buildings and structures	3,657	3,757	39,302	Long-term accounts payable for directors' retirement benefits (Note 17)	236	255	2,540
Machinery and equipment	270	271	2,902	Other	2	17	36
Furniture and fixtures (Note 4)	984	483	10,571	Total long-term liabilities	1,052	1,117	11,315
Construction in progress		14		COMMITMENTS AND CONTINGENT LIABILITIES			
Total	4,949	4,604	53,187	(Notes 16 and 18)			
Accumulated depreciation	(1,980)	(1,688)	(21,280)	EQUITY (Note 9):			
Net property and equipment	2,969	2,916	31,907	Common stock—authorized, 15,000,000 shares; issued, 3,041,000 shares in 2010 and 2009	1,989	1,989	21,382
INVESTMENTS AND OTHER ASSETS:				Non-voting stock—authorized, 100,000 shares; issued, 83,573 shares in 2010 and 2009			
Software (Note 4)	2,795	144	30,039	Capital surplus:			
Software in progress		876		Additional paid-in capital	1,391	1,391	14,955
Long-term loans to employees (Note 17)	217	234	2,336	Other capital surplus	621	621	6,664
Investment securities (Notes 3, 6 and 17)	2,200	1,699	23,647	Retained earnings:			
Investments in associated company (Notes 3 and 17)	167	167	1,797	Contingency loss reserve	1,489	1,489	16,006
Long-term time deposits (Note 6)		500		Reserve fund against default (Note 18)	2,100	2,100	22,571
Other assets	126	154	1,355	Reserve for retirement benefits		110	
Total investments and other assets	5,505	3,774	59,174	Other reserve	3,562	5,366	38,284
				Retained earnings—unappropriated	(1,107)	(1,894)	(11,904)
				Total equity	10,045	11,172	107,958
TOTAL	¥15,117	¥17,698	\$162,478	TOTAL	¥15,117	¥17,698	\$162,478

See notes to financial statements.

Tokyo Commodity Exchange, Inc.

Statements of Operations Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2010</u>	<u>2009</u>	<u>2010</u>
REVENUES:			
Annual membership fee	¥ 119	¥ 156	\$ 1,280
Exchange fee	2,371	2,380	25,484
Income from membership registration	4	25	43
Income from market data distribution	71	68	759
Income from trading system services	<u>160</u>	<u> </u>	<u>1,722</u>
Total revenues	2,725	2,629	29,288
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 16 and 21)	<u>4,125</u>	<u>3,598</u>	<u>44,335</u>
Operating loss	<u>(1,400)</u>	<u>(969)</u>	<u>(15,047)</u>
OTHER INCOME (EXPENSES):			
Entry adjustment money for new members (Note 10)	160	446	1,720
Interest and dividend income	49	74	527
Income from electronic trading systems (Note 11)	22	166	236
Gain on sales of property and equipment	13		143
Loss on disposal and sales of property and equipment	(24)	(25)	(253)
Reward for services for withdrawing members (Note 12)		(750)	
Restructuring expenses (Note 13)		(218)	
Impairment loss (Notes 4 and 16)		(729)	
Other—net	<u>61</u>	<u>47</u>	<u>648</u>
Other income (expenses)—net	<u>281</u>	<u>(989)</u>	<u>3,021</u>
LOSS BEFORE INCOME TAXES	<u>(1,119)</u>	<u>(1,958)</u>	<u>(12,026)</u>
INCOME TAXES (Note 14):			
Current	8	9	90
Deferred	<u> </u>	<u>324</u>	<u> </u>
Total income taxes	<u>8</u>	<u>333</u>	<u>90</u>
NET LOSS	<u>¥(1,127)</u>	<u>¥(2,291)</u>	<u>\$ (12,116)</u>
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK—			
Basic net loss (Note 2.m)	¥(370.70)	¥(753.45)	\$(3.98)

See notes to financial statements.

Tokyo Commodity Exchange, Inc.

Statements of Changes in Equity
Years Ended March 31, 2010 and 2009

	Millions of Yen							
	Members' Capital	Admission Money	Contingency Loss Reserve	Reserve Fund against Default	Reserve for Retirement Benefits	Other Reserve	Retained Earnings—Unappropriated	Total
BALANCE, MARCH 31, 2008	<u>¥739</u>	<u>¥576</u>	<u>¥1,480</u>	<u>¥2,100</u>	<u>¥110</u>	<u>¥6,477</u>	<u>¥406</u>	<u>¥11,888</u>
Appropriations of retained earnings			9				(9)	
Member admission	7	53						60
Member withdrawal	(148)					(1,111)		(1,259)
Conversion to corporation (Notes 1 and 9)	<u>(598)</u>	<u>(629)</u>	<u>(1,489)</u>	<u>(2,100)</u>	<u>(110)</u>	<u>(5,366)</u>	<u>(397)</u>	<u>(10,689)</u>
Net changes during the period	<u>(739)</u>	<u>(576)</u>	<u>(1,480)</u>	<u>(2,100)</u>	<u>(110)</u>	<u>(6,477)</u>	<u>(406)</u>	<u>(11,888)</u>
BALANCE, MARCH 31, 2009	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

	Thousands Number of Shares of Outstanding	Millions of Yen								
		Common Stock	Capital Surplus Additional Paid-in Capital	Other Capital Surplus	Contingency Loss Reserve	Reserve Fund against Default	Retained Earnings Reserve for Retirement Benefits	Other Reserve	Retained Earnings—Unappropriated	Total
BALANCE, MARCH 31, 2008										
Conversion to corporation (Notes 1 and 9)	1,212	¥ 598		¥629	¥1,489	¥2,100	¥110	¥5,366	¥ 397	¥10,689
Cash-in-lieu payments at the conversion to corporation (Note 9)				(8)						(8)
Issuance of common stock (Note 9)	1,913	1,391	¥1,391							2,782
Net loss									(2,291)	(2,291)
Net changes during the period	<u>3,125</u>	<u>1,989</u>	<u>1,391</u>	<u>621</u>	<u>1,489</u>	<u>2,100</u>	<u>110</u>	<u>5,366</u>	<u>(1,894)</u>	<u>11,172</u>
BALANCE, MARCH 31, 2009	<u>3,125</u>	<u>1,989</u>	<u>1,391</u>	<u>621</u>	<u>1,489</u>	<u>2,100</u>	<u>110</u>	<u>5,366</u>	<u>(1,894)</u>	<u>11,172</u>
Reversal of reserve for retirement allowance							(110)		110	
Provision of general reserve								1,400	(1,400)	
Reversal of general reserve								(3,204)	3,204	
Net loss									(1,127)	(1,127)
Net changes during the period	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>(110)</u>	<u>(1,804)</u>	<u>787</u>	<u>(1,127)</u>
BALANCE, MARCH 31, 2010	<u>3,125</u>	<u>¥1,989</u>	<u>¥1,391</u>	<u>¥621</u>	<u>¥1,489</u>	<u>¥2,100</u>	<u>=====</u>	<u>¥3,562</u>	<u>¥(1,107)</u>	<u>¥10,045</u>

Tokyo Commodity Exchange, Inc.

Statements of Changes in Equity
Years Ended March 31, 2010 and 2009

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus		Retained Earnings				Total	
		Additional Paid-in Capital	Other Capital Surplus	Contingency Loss Reserve	Reserve Fund against Default	Reserve for Retirement Benefits	Other Reserve		Retained Earnings— Unappropriated
BALANCE, MARCH 31, 2009	<u>\$21,382</u>	<u>\$14,955</u>	<u>\$6,664</u>	<u>\$16,006</u>	<u>\$22,571</u>	<u>\$1,182</u>	<u>\$57,675</u>	<u>\$(20,361)</u>	<u>\$120,074</u>
Reversal of reserve for retirement allowance						(1,182)		1,182	
Provision of general reserve							15,047	(15,047)	
Reversal of general reserve							(34,438)	34,438	
Net loss								(12,116)	(12,116)
Net changes during the period						<u>(1,182)</u>	<u>(19,391)</u>	<u>8,457</u>	<u>(12,116)</u>
BALANCE, MARCH 31, 2010	<u>\$21,382</u>	<u>\$14,955</u>	<u>\$6,664</u>	<u>\$16,006</u>	<u>\$22,571</u>		<u>\$38,284</u>	<u>\$(11,904)</u>	<u>\$107,958</u>

See notes to financial statements.

Tokyo Commodity Exchange, Inc.

Statements of Cash Flows Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2010</u>	<u>2009</u>	<u>2010</u>
OPERATING ACTIVITIES:			
Loss before income taxes	¥(1,119)	¥(1,958)	\$(12,026)
Adjustments for:			
Income taxes—paid	(18)	(87)	(193)
Income taxes—refund	71		765
Depreciation and amortization	1,114	541	11,976
Restructuring expenses	(204)	204	(2,189)
Loss on cancellation of lease contracts	(486)		(5,226)
Impairment loss		729	
Loss on disposal of property and equipment	10	25	110
Changes in assets and liabilities:			
Decrease in allowance for doubtful accounts	(58)		(628)
Decrease in liability for retirement benefits	(35)	(87)	(378)
(Increase) decrease in operating accounts receivable	(40)	2	(435)
(Decrease) increase in suspense receipt of delivery payment	(988)	1,293	(10,618)
Other—net	126	182	1,351
Total adjustments	<u>(508)</u>	<u>2,802</u>	<u>(5,465)</u>
Net cash (used in) provided by operating activities	<u>(1,627)</u>	<u>844</u>	<u>(17,491)</u>
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits—net	1,900	(200)	20,421
Decrease in long-term loans receivable—net	16	1	175
Purchases of property and equipment	(622)	(367)	(6,680)
Purchases of software	(2,315)	(139)	(24,881)
Proceeds from maturities of investments in securities		1,200	
Proceeds from sales of property and equipment	114		1,220
Purchases of investment securities	(500)	(500)	(5,374)
Proceeds from liquidation of subsidiaries		130	
Other—net	29	(8)	318
Net cash (used in) provided by investing activities	<u>(1,378)</u>	<u>117</u>	<u>(14,801)</u>
FORWARD	<u>¥(3,005)</u>	<u>¥ 961</u>	<u>\$(32,292)</u>

Tokyo Commodity Exchange, Inc.

Statements of Cash Flows Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2010</u>	<u>2009</u>	<u>2010</u>
FORWARD	<u>¥(3,005)</u>	<u>¥ 961</u>	<u>\$(32,292)</u>
FINANCING ACTIVITIES:			
Proceeds from payment for members' capital		7	
Repayment of members' capital		(148)	
Proceeds from payment for admission money		53	
Repayment for reduction of retained earnings for seceding members (Note 15)		(1,111)	
Cash-in-lieu payments at the conversion to corporation		(8)	
Proceeds from issuance of common stock		<u>2,782</u>	
Net cash provided by financing activities		<u>1,575</u>	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(3,005)</u>	<u>2,536</u>	<u>(32,292)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,655</u>	<u>5,119</u>	<u>82,272</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 4,650</u>	<u>¥7,655</u>	<u>\$ 49,980</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Increase in common stock from members' capital at the conversion to corporation		¥598	
Increase in other capital surplus from admission money at the conversion to corporation		629	

See notes to financial statements.

Tokyo Commodity Exchange, Inc.

Notes to Financial Statements Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying 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 Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 1, 2008, the Exchange reorganized from a membership organization to a "for-profit" corporation in accordance with the provisions of Article 121 of the Commodity Exchange Act.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Exchange's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The 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 ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. 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. Non-consolidation—The Exchange has no subsidiaries. An investment in an affiliated company (20%–50% ownership) is stated at cost of ¥167 million (\$1,797 thousand). If the equity method of accounting had been applied to the investment in this company, investments in associated company would amount to ¥826 million (\$8,883 thousand) and ¥264 million for the years ended March 31, 2010 and 2009 and, as a result, retained earnings at March 31, 2010 and 2009 would be increased by ¥562 million (\$6,045 thousand) and ¥97 million, respectively.

b. 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.

c. Securities

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 subsidiaries and associated companies 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—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.

- d. 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, from 8 to 10 years for machinery and equipment and from 2 to 15 years for furniture and fixtures.

- e. Long-Lived Assets**—The Exchange 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.

- f. 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.

- g. 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.

- h. Stock Issuance Costs**—Stock issuance costs are charged to income as incurred.

- i. Retirement Benefits**—The Exchange has 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. Leases**—In March 2007, Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

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

The Exchange applied the revised accounting standard effective April 1, 2008. In addition, the Exchange 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.

- k. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the statements of operations. 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.
- l. 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 statements of operations.
- m. Per Share Information**—Basic net loss 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 of the Exchange's net loss position.

The board of directors approved to pay no dividend from the appropriation of retained earnings for the year ended March 31, 2010 at the meeting held on May 27, 2010.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2010 and 2009 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Investment securities:			
Government bonds	¥2,197	¥1,697	\$23,618
Available-for-sale securities	<u>3</u>	<u>2</u>	<u>29</u>
Total	<u>¥2,200</u>	<u>¥1,699</u>	<u>\$23,647</u>

The carrying amount and aggregate fair value of investment securities at March 31, 2010 and 2009 were as follows:

	<u>Millions of Yen</u>			
	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>March 31, 2010</u>				
Securities classified as held-to-maturity debt securities	¥2,197	¥52	¥(3)	¥2,246
<u>March 31, 2009</u>				
Securities classified as held-to-maturity debt securities	¥1,697	¥36		¥1,733

<u>March 31, 2010</u>	<u>Thousands of U.S. Dollars</u>			<u>Fair Value</u>
	<u>Carrying Amount</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Securities classified as held-to-maturity debt securities	\$23,618	\$556	\$(30)	\$24,144

Investment securities in an associated company and available-for-sale securities whose fair values are not readily determinable as of March 31, 2009 were as follows. Similar information for 2010 is disclosed in Note 17.

	<u>Millions of Yen</u>
	<u>2009</u>
Associated company Available-for-sale—Equity securities	¥167
	2

4. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Exchange recorded an impairment loss as of March 31, 2009 as follows:

<u>Location</u>	<u>Use</u>	<u>Classification</u>	<u>Millions of Yen</u>
			<u>2009</u>
Head Office	Trading system	Furniture and fixtures	¥ 67
		Software	176
		Lease	<u>486</u>
Total			<u>¥729</u>

To measure an impairment loss, assets are grouped by single business unit because the Exchange operates in a single industry, whereas each property or equipment categorized into idle assets is grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows generated by other assets or asset groups.

In relation with the termination of use of the old trading system along with the introduction of the new trading system on May 7, 2009, the above assets and lease contracts relating to the old trading system are planned to be disposed or canceled after stable operation of the new trading system. The carrying amount of the said assets and the amount equivalent to unpaid lease fees were written down to the recoverable amount and recorded as impairment losses.

No impairment loss was recognized in the fiscal year ended March 31, 2010.

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, 2010 is ¥1,500 million (\$16,122 thousand). Time deposits in the amount of ¥500 million (\$5,374 thousand) and investment securities in the amount of ¥1,100 million (\$11,821 thousand) are pledged as collateral for the overdraft facility as of March 31, 2010. The overdraft facility is not utilized as of March 31, 2010.

7. MEMBER DEPOSITS

According to the Commodity Exchange 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, 2010 and 2009 is ¥26 million (\$276 thousand) and ¥29 million, respectively.

8. 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, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Projected benefit obligation	<u>¥557</u>	<u>¥592</u>	<u>\$5,982</u>
Net liability	<u>¥557</u>	<u>¥592</u>	<u>\$5,982</u>

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Service cost	<u>¥53</u>	<u>¥128</u>	<u>\$566</u>
Net periodic retirement benefit costs	<u>¥53</u>	<u>¥128</u>	<u>\$566</u>

9. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having 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 Exchange 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, one share of non-voting stock corresponds to 100 shares of common stock. Under certain circumstances, one 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 one 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 one non-voting stock.

10. 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.

11. 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.

12. REWARD FOR SERVICES FOR WITHDRAWING MEMBERS

Reward for services for withdrawing members was a proportional reward made to a broker member, pursuant to the resolution of the board of directors, based on the member's degree of contribution to the development of the market, at the time of a broker member's withdrawal when the Exchange was a membership organization. Reward for services for withdrawing members was abolished at the time of the conversion to corporation.

13. RESTRUCTURING EXPENSES

Restructuring expenses were mainly midterm cancellation fees linked to the old trading system. These cancellation fees were paid to the old trading system administrator, since the Exchange introduced its new trading system earlier than originally planned, in order to improve its competitiveness as soon as possible.

14. INCOME TAXES

The Exchange 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 years ended March 31, 2010 and 2009, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Deferred tax assets:			
Accrued bonuses	¥ 18	¥ 23	\$ 189
Restructuring expenses		83	
Impairment loss		297	
Liability for employees' retirement benefits	227	241	2,435
Long-term accounts payable for directors' retirement benefits	95	104	1,021
Allowance for doubtful accounts		12	
Tax loss carryforwards	1,204	331	12,943
Other	16	20	177
Offset with deferred tax liabilities		(2)	
Less valuation allowance	<u>(1,560)</u>	<u>(1,109)</u>	<u>(16,765)</u>
Total	<u> </u>	<u> </u>	<u> </u>
Deferred tax liabilities:			
Enterprise tax receivable		¥ (2)	
Offset with deferred tax assets	<u> </u>	<u>2</u>	<u> </u>
Total	<u> </u>	<u> </u>	<u> </u>
Net deferred tax assets	<u> </u>	<u> </u>	<u> </u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying statements of operations for the years ended March 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Normal effective statutory tax rate	40.7 %	40.7 %
Expenses not deductible for income tax purposes	(0.4)	(0.9)
Income not taxable for income tax purposes		0.4
Inhabitant tax	(0.3)	(0.3)
Changes in valuation allowance	(40.3)	(56.8)
Income taxes for prior periods	(0.4)	
Other—net	<u> </u>	<u>(0.1)</u>
Actual effective tax rate	<u>(0.7)%</u>	<u>(17.0)%</u>

15. REPAYMENT FOR REDUCTION OF RETAINED EARNINGS FOR SECEDING MEMBERS

Repayment for reduction of retained earnings for seceding members was a proportional repayment of member's capital, pursuant to the resolution of the board of directors, at the time of a member's withdrawal when the Exchange was a membership organization. Repayment for reduction of retained earnings for seceding members was abolished at the time of the conversion to corporation.

16. LEASES

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

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

	Millions of Yen		
	<u>2010</u>		
	<u>Furniture and Fixtures</u>	<u>Other Assets</u>	<u>Total</u>
Acquisition cost	¥352	¥16	¥368
Accumulated depreciation	<u>(351)</u>	<u>(16)</u>	<u>(367)</u>
Net leased property	<u>¥ 1</u>	<u> </u>	<u>¥ 1</u>

	Millions of Yen		
	2009		
	Furniture and Fixtures	Other Assets	Total
Acquisition cost	¥1,360	¥58	¥1,418
Accumulated depreciation	(858)	(47)	(905)
Accumulated impairment loss	(477)	(9)	(486)
Net leased property	<u>¥ 25</u>	<u>¥ 2</u>	<u>¥ 27</u>

	Thousands of U.S. Dollars		
	2010		
	Furniture and Fixtures	Other Assets	Total
Acquisition cost	\$3,788	\$174	\$3,962
Accumulated depreciation	(3,782)	(170)	(3,952)
Net leased property	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ 10</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
	Due within one year	¥1	¥523
Due after one year	—	1	—
Total	<u>¥1</u>	<u>¥524</u>	<u>\$11</u>

Allowance for impairment loss on leased property of ¥486 million as of March 31, 2009 is not included in obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
	Depreciation expense	¥55	¥331
Interest expense	2	13	18
Total	<u>¥57</u>	<u>¥344</u>	<u>\$608</u>
Lease payments	¥57	¥348	\$608
Impairment loss		486	

Depreciation expense and interest expense, which were not reflected in the accompanying statements of operations, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2010 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Due within one year	¥2	\$19
Due after one year	<u>2</u>	<u>26</u>
Total	<u>¥4</u>	<u>\$45</u>

17. 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 are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Exchange applied the revised accounting standard and the new guidance effective March 31, 2010.

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

Based on the Exchange's investment policy of safety, funds are invested in a range of conservative financial instruments such as time deposits, government bonds and the like. Although the Exchange mostly raises funds from its own resources, overdraft agreements were also secured with banks in case of an emergency.

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

As for operating accounts receivable from Exchange 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.

Long-term loans to employees correspond mostly to employees' housing loans, and, for risk management purposes, the maximum loan amount is determined based on the expected employee retirement allowance.

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.

Cash and cash equivalents, time deposits and banking arrangements other than cash equivalents and operating accounts receivable

The carrying values of 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.

Investment securities

The fair values of investment securities are measured at the average of the reference prices for OTC bond transactions published by Japan Securities Dealers Association. The information of the fair value for the investment securities by classification is included in Note 3.

Long-term loans to employees

Long-term loans to employees are measured at the amount to be received at maturity discounted at the interest rate of government bonds and credit spread.

Suspense receipt of delivery payment and accounts payable

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

Long-term accounts payable for directors' retirement benefits

The fair value of long-term accounts payable for directors' retirement benefits is determined by discounting the cash flows related to the interest rate of government bonds.

Fair Value of Financial Instruments

<u>March 31, 2010</u>	<u>Millions of Yen</u>		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥4,650	¥4,650	
Time deposits and banking arrangements other than cash equivalents	1,500	1,500	
Operating accounts receivable	62	62	
Long-term loans to employees	217	201	¥(16)
Investment securities	<u>2,197</u>	<u>2,246</u>	<u>49</u>
Total	<u>¥8,626</u>	<u>¥8,659</u>	<u>¥ 33</u>
Suspense receipt of delivery payment	¥3,625	¥3,625	
Accounts payable	330	330	
Long-term accounts payable for directors' retirement benefits	<u>236</u>	<u>216</u>	<u>¥(20)</u>
Total	<u>¥4,191</u>	<u>¥4,171</u>	<u>¥(20)</u>

<u>March 31, 2010</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$49,980	\$49,980	
Time deposits and banking arrangements other than cash equivalents	16,122	16,122	
Operating accounts receivable	662	662	
Long-term loans to employees	2,336	2,162	\$ (174)
Investment securities	<u>23,618</u>	<u>24,144</u>	<u>526</u>
Total	<u>\$92,718</u>	<u>\$93,070</u>	<u>\$ 352</u>
Suspense receipt of delivery payment	\$38,961	\$38,961	
Accounts payable	3,552	3,552	
Long-term accounts payable for directors' retirement benefits	<u>2,540</u>	<u>2,321</u>	<u>\$ (219)</u>
Total	<u>\$45,053</u>	<u>\$44,834</u>	<u>\$ (219)</u>

Financial Instruments Whose Fair Value Cannot Be Reliably Determined

<u>March 31, 2010</u>	Carrying Amount	
	<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	\$ 29
Investment in associated company that does not have a quoted market price in an active market	167	1,797
Member deposits	<u>257</u>	<u>2,757</u>
Total	<u>¥427</u>	<u>\$4,583</u>

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

<u>March 31, 2010</u>	Millions of Yen			
	<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>
Cash and cash equivalents	¥4,650			
Time deposits and banking arrangements other than cash equivalents	1,500			
Operating accounts receivable	62			
Held-to-maturity securities		¥1,200	¥1,000	
Long-term loans to employees	<u>17</u>	<u>62</u>	<u>64</u>	<u>¥74</u>
Total	<u>¥6,229</u>	<u>¥1,262</u>	<u>¥1,064</u>	<u>¥74</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2010</u>				
Cash and cash equivalents	\$49,980			
Time deposits and banking arrangements other than cash equivalents	16,122			
Operating accounts receivable	662			
Held-to-maturity securities		\$12,898	\$10,748	
Long-term loans to employees	179	670	688	\$799
Total	<u>\$66,943</u>	<u>\$13,568</u>	<u>\$11,436</u>	<u>\$799</u>

18. COMMITMENTS AND CONTINGENT LIABILITIES

The Exchange entered into a guarantee agreement of compensation for losses with Japan Commodity Clearing House Co., Ltd. ("JCCH") on December 1, 2008.

In accordance with this agreement, when JCCH incurs losses because an Exchange member defaults on liabilities in market transactions, the Exchange shall pay from the security reserve fund, which has ¥2,100 million (\$22,571 thousand) in retained earnings at March 31, 2010, against the default to JCCH, if liabilities still remain after transferring the deposits held at the Exchange by such member to JCCH.

19. SUBSEQUENT EVENT

Acquisition of JCCH Stocks

In light of the developments in the commodity futures industry, the Exchange acquired JCCH stocks as shown below.

a. Name of counterparty in stock transaction

Japan Commodity Futures Industry Association

b. Overview of JCCH

Company name: Japan Commodity Clearing House Co., Ltd.
 CEO, Chairman: Hideki Takahashi
 Address: 9-4, Nihombashi-Koamicho, Chuo-ku, Tokyo, Japan
 Date of establishment: December 2004
 Capital: ¥634.35 million (\$6,818 thousand)
 Type of business: Commodity trading clearing and settlement

c. Stock acquisition date

April 7, 2010

d. Number of stocks acquired

2,000 common stocks

e. *Acquisition price*

¥314.92 million (\$3,385 thousand)

f. *Stock ownership after acquisition*

42%

20. RELATED PARTY DISCLOSURES

The Exchange owned the following affiliated company's share as of March 31, 2010 and 2009:

	Percentage of Ownership	
	<u>2010</u>	<u>2009</u>
JCCH	26.0%	26.0%

Transactions of the Exchange with the affiliated company for the years ended March 31, 2010 and 2009 are immaterial.

The balances due to or from the affiliated company at March 31, 2010 and 2009 are also immaterial.

21. DETAILS OF OPERATING EXPENSES

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

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
System maintenance and operation costs	¥1,436	\$15,431
Depreciation and amortization	1,114	11,976

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