

THE TOKYO COMMODITY EXCHANGE

Non-consolidated Financial Statements for the
Years Ended March 31, 2007 and 2006, and
Independent Auditors' Report

Non-consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Member margin deposits—deposits held in banks	¥ 329	¥ 321	\$ 2,787
Member margin deposits—securities	113	116	957
Cash and cash equivalents	5,975	6,257	50,614
Time deposits and banking arrangements other than cash equivalents	1,000		8,471
Transaction fee receivables	7	20	59
Other receivables	9	3	77
Deferred tax assets (Note 5)	25	54	212
Income taxes receivable (Note 5)	18		152
Prepaid expenses	53	56	449
Total current assets	7,529	6,827	63,778
PROPERTY AND EQUIPMENT:			
Land	79	79	669
Buildings and structures	3,651	3,600	30,928
Machinery and equipment	175	174	1,482
Furniture and fixtures	304	304	2,576
Total	4,209	4,157	35,655
Accumulated depreciation	(1,422)	(1,285)	(12,046)
Net property and equipment	2,787	2,872	23,609
INVESTMENTS AND OTHER ASSETS:			
Software	1,593	2,791	13,494
Reserve for corporate pension plan	123	134	1,042
Long-term loans receivable	174	173	1,474
Investment securities	3,599	3,597	30,487
Investments in subsidiary and associated companies	333	316	2,821
Deferred tax assets (Note 5)	271	287	2,296
Other assets	61	62	516
Total investments and other assets	6,154	7,360	52,130
TOTAL	¥ 16,470	¥ 17,059	\$ 139,517

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET WORTH EQUITY			
CURRENT LIABILITIES:			
Suspense receipt of delivery payment	¥2,827	¥ 2,928	\$ 23,947
Accrued bonuses	55	55	466
Income taxes payable (Note 5)		334	
Other current liabilities	65	142	551
Total current liabilities	2,947	3,459	24,964
LONG-TERM LIABILITIES:			
Member deposits	442	437	3,744
Liability for retirement benefits (Note 3)	643	678	5,447
Other	8	9	68
Total long-term liabilities	1,093	1,124	9,259
COMMITMENT (Note 7)			
NET WORTH EQUITY (Note 4):			
Members' capital	814	833	6,895
Admission money	516	391	4,371
Contingency loss reserve	1,444	1,371	12,232
Retained earnings	9,656	9,881	81,796
Total net worth equity	12,430	12,476	105,294
TOTAL	¥16,470	¥ 17,059	\$ 139,517

Non-consolidated Statements of Income and Retained Earnings

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
REVENUES:			
Annual membership fee	¥ 190	¥ 193	\$ 1,609
Exchange fee	4,293	4,757	36,366
Total revenues	4,483	4,950	37,975
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 8)	4,473	4,608	37,890
Operating income	10	342	85
OTHER INCOME (EXPENSES):			
Entry adjustment money for new members	698	492	5,913
Interest income	33	29	280
Income from electronic trading systems	80	131	678
Loss on disposal of property and equipment		(11)	
Reward for meritorious services for withdrawing members	(357)	(5)	(3,024)
Other—net (Note 6)	146	161	1,236
Other income—net	600	797	5,083
INCOME BEFORE INCOME TAXES	610	1,139	5,168
INCOME TAXES (Note 5):			
Current	219	484	1,856
Deferred	45	(80)	381
Total income taxes	264	404	2,237
NET INCOME	346	735	2,931
RETAINED EARNINGS, BEGINNING OF YEAR	9,881	9,601	83,702
TRANSFER TO CONTINGENCY LOSS RESERVE	(74)	(65)	(627)
REDUCTION OF SECEDING MEMBERS' SHARE IN RETAINED EARNINGS	(497)	(390)	(4,210)
RETAINED EARNINGS, END OF YEAR	¥ 9,656	¥ 9,881	\$ 81,796

See notes to non-consolidated financial statements.

Non-consolidated Statements of Cash Flows

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes	¥ 610	¥ 1,139	\$ 5,168
Adjustments for:			
Income taxes—paid	(568)	(101)	(4,812)
Depreciation and amortization	1,428	1,410	12,097
Loss on disposal of property and equipment		11	
Changes in assets and liabilities:			
(Decrease) increase in liability for retirement benefits	(35)	62	(296)
Decrease in suspense receipt of delivery payment	(101)	(423)	(856)
Other—net	(77)	(569)	(653)
Total adjustments	647	390	5,480
Net cash provided by operating activities	1,257	1,529	10,648
INVESTING ACTIVITIES:			
Increase in time deposits	(1,000)		(8,471)
Increase in long-term loans receivable—net	(1)	(38)	(8)
Purchases of property and equipment	(54)	(113)	(457)
Purchases of software	(89)	(235)	(754)
Purchases of investment securities		(1,192)	
Proceeds from maturities of investments in securities		1,200	
Purchases of investment in associated company	(17)		(144)
Decrease in other assets	13	15	109
Net cash used in investing activities	(1,148)	(363)	(9,725)
FINANCING ACTIVITIES:			
Proceeds from payment for members' capital	45	41	381
Repayment of members' capital	(64)	(55)	(542)
Proceeds from payment for admission money	125	60	1,059
Repayment for reduction of retained earnings for seceding members	(497)	(390)	(4,210)
Net cash used in financing activities	(391)	(344)	(3,312)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(282)	822	(2,389)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,257	5,435	53,003
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,975	¥ 6,257	\$ 50,614

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Tokyo Commodity Exchange (the "Exchange") in accordance with the provisions of the Commodity Exchange Law (the "Law") 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.

In preparing these non-consolidated 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 2006 financial statements to conform to the classifications used in 2007.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Exchange is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118.05 to \$1, the approximate rate of exchange at March 31, 2007. Such translation should not be construed as representation 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 non-consolidated financial statements do not include the accounts of an immaterial subsidiary. Investments in the subsidiary and associated companies (20%–50% ownership) are stated at cost.

b. Securities

Investment securities—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, and (2) available-for-sale securities, which are not classified as held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net worth equity. However, all available-for-sale securities are non-marketable and 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.

Member margin deposits—Securities are appraised on the basis of Article 39 of Enforcement Regulation of the Law.

c. 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 10 to 15 years for machinery and equipment and from 2 to 15 years for furniture and fixtures.

d. Long-lived Assets—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Exchange adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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.

e. 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.

f. 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.

Retirement benefits for 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.

g. Income Taxes—The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income and retained earnings. 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.

h. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain disclosures are made in the lessee's financial statements.

i. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the non-consolidated statements of income and retained earnings for the following year upon approval by the members.

j. Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and deposits in banks, which includes time deposits.

The Exchange considers all time deposits of which mature within three months of the date of acquisition to be cash equivalents. Generally, such time deposits can be withdrawn at any time without diminution of the principal amount.

3. 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.

Liabilities as of March 31, 2007 and 2006 include retirement benefits for directors and corporate auditors of ¥140 million (\$1,186 thousand) and ¥122 million, respectively.

Severance costs under the employees' retirement benefit plan for the years ended March 31, 2007 and 2006 were ¥54 million (\$457 thousand) and ¥57 million, respectively.

4. NET WORTH EQUITY

The Law requires the Exchange to appropriate from retained earnings to contingency loss reserve an amount equal to at least 10% of the net income of the current year.

The Exchange repaid members' capital of ¥64 million (\$542 thousand) and received ¥45 million (\$381 thousand) for the year ended March 31, 2007.

The Exchange reduced seceding members' share in retained earnings for financial years ended March 31, 2007 and 2006 by ¥497 million (\$4,210 thousand) and ¥390 million, respectively.

5. 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, 2007 and 2006.

The tax effects of significant temporary differences which resulted in deferred tax assets at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current deferred tax assets:			
Enterprise tax		¥ 29	
Accrued bonuses	¥ 22	23	\$ 186
Other	3	2	26
Total current deferred tax assets	¥ 25	¥ 54	\$ 212
Non-current deferred tax assets:			
Retirement benefits	¥ 262	¥ 276	\$ 2,219
Other	9	11	77
Total non-current deferred tax assets	¥ 271	¥ 287	\$ 2,296
Net deferred tax assets	¥ 296	¥ 341	\$ 2,508

6. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥43 million (\$364 thousand), of which ¥18 million (\$152 thousand) was related to funded research for the year ended March 31, 2007.

7. COMMITMENT

- (a) The Exchange leases certain computer equipment and other assets. Lease payments for the years ended March 31, 2007 and 2006 totaled ¥352 million (\$2,982 thousand) and ¥409 million, respectively. The Exchange's obligations under finance leases at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 234	¥ 256	\$ 1,982
Due after one year	464	267	3,931
Total	¥ 698	¥ 523	\$ 5,913

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

In accordance with this agreement, when JCCH incurs losses because an Exchange member defaults on liabilities in market transactions, the Exchange shall pay security reserve fund, which has ¥2,100 million (\$17,789 thousand) in retained earnings at March 31, 2007, against the default to JCCH, if liabilities still remain after transferring the deposits held at the Exchange by such member to JCCH.

8. RELATED PARTY TRANSACTIONS

Transactions with the subsidiaries and associated companies for the years ended March 31, 2007 and 2006 are principally as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Transactions with subsidiaries—Expenditure for electronic trading systems	¥ 559	¥ 590	\$ 4,735
Other	55		466
Total	¥ 614	¥ 590	\$ 5,201

9. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2007 were approved by the members at a general meeting held on May 30, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Transfer to contingency loss reserve	¥ 35	\$ 296

INDEPENDENT AUDITORS' REPORT

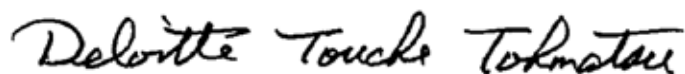
To the Board of Directors of
The Tokyo Commodity Exchange:

We have audited the accompanying non-consolidated balance sheets of The Tokyo Commodity Exchange (the "Exchange") as of March 31, 2007 and 2006, and the related non-consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Exchange's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Tokyo Commodity Exchange as of March 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with the provisions of the Commodity Exchange Law and its related regulations and 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.



April 17, 2007 (May 30, 2007 as to Note 9)