

THE TOKYO COMMODITY EXCHANGE

Non-consolidated Financial Statements for the
Years Ended March 31, 2008 and 2007, and
Independent Auditors' Report

Non-consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Member margin deposits—deposits held in banks	¥ 305	¥ 329	\$ 3,044
Member margin deposits—securities	43	113	429
Cash and cash equivalents	5,119	5,975	51,093
Time deposits and banking arrangements other than cash equivalents	3,200	1,000	31,939
Marketable securities	1,200		11,977
Transaction fee receivables	12	7	120
Other receivables	43	9	431
Deferred tax assets (Note 5)	27	25	269
Income taxes receivable (Note 5)		18	
Prepaid expenses	30	53	299
Total current assets	9,979	7,529	99,601
PROPERTY AND EQUIPMENT:			
Land	79	79	789
Buildings and structures	3,647	3,651	36,400
Machinery and equipment	175	175	1,747
Furniture and fixtures	480	304	4,791
Total	4,381	4,209	43,727
Accumulated depreciation	(1,575)	(1,422)	(15,720)
Net property and equipment	2,806	2,787	28,007
INVESTMENTS AND OTHER ASSETS:			
Software	631	1,571	6,298
Software in progress	785	22	7,835
Reserve for corporate pension plan	110	123	1,098
Long-term loans receivable	235	174	2,346
Investment securities	1,199	3,599	11,967
Investments in subsidiaries and associated companies	297	333	2,964
Deferred tax assets (Note 5)	298	271	2,974
Other assets	110	61	1,098
Total investments and other assets	3,665	6,154	36,580
TOTAL	¥ 16,450	¥ 16,470	\$ 164,188

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Suspense receipt of delivery payment	¥ 3,320	¥ 2,827	\$ 33,137
Accrued bonuses	55	55	549
Income taxes payable (Note 5)	14		140
Other current liabilities (Note 8)	139	65	1,387
Total current liabilities	3,528	2,947	35,213
LONG-TERM LIABILITIES:			
Member deposits	348	442	3,473
Liability for retirement benefits (Note 3)	679	643	6,777
Other	7	8	70
Total long-term liabilities	1,034	1,093	10,320
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
EQUITY (Notes 4 and 9):			
Members' capital	739	814	7,376
Admission money	576	516	5,749
Contingency loss reserve	1,480	1,444	14,772
Retained earnings	9,093	9,656	90,758
Total equity	11,888	12,430	118,655
TOTAL	¥16,450	¥ 16,470	\$ 164,188

Non-consolidated Statements of Income and Retained Earnings

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
REVENUES:			
Annual membership fee	¥ 186	¥ 190	\$ 1,856
Exchange fee	3,648	4,293	36,411
Total revenues	3,834	4,483	38,267
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 3, 6 and 8)	4,205	4,473	41,970
Operating income (loss)	(371)	10	(3,703)
OTHER INCOME (EXPENSES):			
Entry adjustment money for new members	782	698	7,805
Interest and dividend income	47	33	469
Income from electronic trading systems	98	80	978
Income from market data distribution	59	57	589
Reward for meritorious services for withdrawing members	(412)	(357)	(4,112)
Provision of allowance for doubtful accounts	(62)		(619)
Other—net (Note 8)	48	89	479
Other income—net	560	600	5,589
INCOME BEFORE INCOME TAXES	189	610	1,886
INCOME TAXES (Note 5):			
Current	123	219	1,227
Deferred	(29)	45	(289)
Total income taxes	94	264	938
NET INCOME	95	346	948
RETAINED EARNINGS, BEGINNING OF YEAR	9,656	9,881	96,377
TRANSFER TO CONTINGENCY LOSS RESERVE	(35)	(74)	(349)
REDUCTION OF SECEDING MEMBERS' SHARE IN RETAINED EARNINGS	(623)	(497)	(6,218)
RETAINED EARNINGS, END OF YEAR	¥ 9,093	¥ 9,656	\$ 90,758

See notes to non-consolidated financial statements.

Non-consolidated Statements of Cash Flows

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes	¥ 189	¥ 610	\$ 1,886
Adjustments for:			
Income taxes—paid	(117)	(568)	(1,168)
Income taxes—refund	26		260
Depreciation and amortization	1,234	1,428	12,317
Changes in assets and liabilities:			
Increase (decrease) in liability for retirement benefits	37	(35)	369
Increase (decrease) in suspense receipt of delivery payment	493	(101)	4,921
Increase in allowance for doubtful accounts	62		619
Other—net	(64)	(77)	(639)
Total adjustments	1,671	647	16,679
Net cash provided by operating activities	1,860	1,257	18,565
INVESTING ACTIVITIES:			
Increase in time deposits	(3,200)	(1,000)	(31,939)
Decrease in time deposits	1,000		9,981
Increase in long-term loans receivable—net	(61)	(1)	(609)
Purchases of property and equipment	(180)	(54)	(1,797)
Purchases of software	(897)	(89)	(8,953)
Proceeds from maturities of investments in securities	1,200		11,977
Proceeds from liquidation of subsidiaries	44		439
Purchases of investment in associated company		(17)	
Decrease in other assets	15	13	150
Net cash used in investing activities	(2,079)	(1,148)	(20,751)
FINANCING ACTIVITIES:			
Proceeds from payment of members' capital	7	45	70
Repayment of members' capital	(82)	(64)	(819)
Proceeds from payment of admission money	61	125	609
Repayment for reduction of retained earnings for seceding members	(623)	(497)	(6,218)
Net cash used in financing activities	(637)	(391)	(6,358)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(856)	(282)	(8,544)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,975	6,257	59,637
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,119	¥ 5,975	\$ 51,093

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Years Ended March 31, 2008 and 2007

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 non-consolidated 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 2007 non-consolidated financial statements to conform to the classifications used in 2008.

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 ¥100.19 to \$1, the approximate rate of exchange at March 31, 2008. 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 subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

b. 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. 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—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 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.

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, 2008 and 2007 include retirement benefits for directors and corporate auditors of ¥193 million (\$1,926 thousand) and ¥140 million, respectively.

Severance costs under the retirement benefit plan for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Directors and corporate auditors	¥55	¥ 41	\$ 549
Employees	63	54	629
Total	¥ 118	¥ 95	\$ 1,178

4. 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 ¥82 million (\$819 thousand) and received ¥7 million (\$70 thousand) for the year ended March 31, 2008.

The Exchange reduced seceding members' share in retained earnings for financial years ended March 31, 2008 and 2007 by ¥623 million (\$6,218 thousand) and ¥497 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, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current deferred tax assets:			
Accrued bonuses	¥22	¥ 22	\$ 220
Other	5	3	49
Total current deferred tax assets	¥27	¥ 25	\$ 269
Non-current deferred tax assets:			
Retirement benefits	¥ 276	¥ 262	\$ 2,755
Allowance for doubtful accounts	13		130
Other	9	9	89
Total non-current deferred tax assets	¥ 298	¥ 271	\$ 2,974
Net deferred tax assets	¥ 325	¥ 296	\$ 3,243

6. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥36 million (\$359 thousand) and ¥43 million for the years ended March 31, 2008 and 2007, respectively.

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Exchange leases certain computer equipment and other assets. Lease payments for the years ended March 31, 2008 and 2007 totaled ¥388 million (\$3,873 thousand) and ¥352 million, respectively. The Exchange's obligations under finance leases at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 349	¥ 234	\$ 3,483
Due after one year	549	464	\$ 5,480
Total	¥ 898	¥ 698	\$ 8,963

- (b) The Exchange entered into a guarantee agreement of compensation for losses with Japan Commodity Clearing House Co., Ltd. ("JCCH") on April 28, 2005.

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 (\$20,960 thousand) in retained earnings at March 31, 2008, 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, 2008 and 2007 are principally as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Transactions with subsidiaries—Expenditure for electronic trading systems	¥ 144	¥ 559	\$ 1,437
Other	50	55	499
Total	¥ 194	¥ 614	\$ 1,936

The balances due to or from these subsidiaries and associated companies at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accounts payable	¥ 3		\$ 30

9. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2008 were approved by the members at a general meeting held on May 29, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Transfer to contingency loss reserve	¥ 10	\$ 100

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, 2008 and 2007, 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, 2008 and 2007, 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 15, 2008 (May 29, 2008 as to Note 9)