

QUARTERLY REPORT

Xinhua Finance Limited

Type of Document: QUARTERLY REPORT

Applicable Clause: First clause of Article 24-4-7, Financial Instruments and Exchange Law

To: The Director of Kanto Local Finance Bureau

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Quarterly Fiscal Year: The Second Quarter of the Sixth Fiscal Year of 2009
(From April 1, 2009 to June 30, 2009)

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Notes:

1. As used in this document, and unless otherwise described or the context otherwise requires, references are as follows:
 - **“Company”** or **“XFL”** refers to Xinhua Finance Limited
 - **“GAAP”** refers to Generally Accepted Accounting Principles
 - **“Hong Kong”** refers to the Hong Kong Special Administrative Region
 - **“IFRS”** refers to International Financial Reporting Standards issued by the International Financial Reporting Standards Committee
 - **“RMB”** refers to Renminbi, the lawful currency of the People’s Republic of China
 - **“US\$”** refers to United States Dollars, the lawful currency of United States of America
 - **“We”** or the **“Group”** refers to the Company and its consolidated subsidiaries
 - **“¥”** refers to Japanese Yen, the lawful currency of Japan

2. For convenience, conversion of U.S. dollars from our financial statements into Japanese yen is calculated by the foreign currency exchange rate (middle rate at US \$1.00 = ¥96.01 as of June 30, 2009) from the Tokyo Foreign Exchange Market, in accordance with Article 86 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (rounded). Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate. Conversion of U.S. dollars from our financial statements into Hong Kong dollars is calculated using the foreign currency exchange rate of US \$1.00 = HK \$7.80. Conversion of Renminbi into Japanese Yen is calculated using the foreign currency exchange rate (middle rate at ¥100 = RMB 7.121 as of 12 August 2009) from the State Administration of Foreign Exchange, the People’s Republic of China.

3. Where figures in tables in this document have been rounded, the totals may not necessarily agree to the sum of the figures.

PART I CORPORATE INFORMATION

I. OUTLINE OF LEGAL AND OTHER SYSTEMS IN THE HOME COUNTRY

There have been no material changes in the Corporate System of the Country and State, the Corporate System as provided for in the Memorandum of Association and Articles of Association of the Company, foreign exchange control system and tax treatment during the second consolidated quarter of the fiscal year 2009 (this "Quarter").

II. OUTLINE OF THE GROUP

1. Trends in Key Financial Data

Consolidated key financial data

Term		The 1 st consolidated (and accumulated) half of the 6 th fiscal year	The 2 nd consolidated quarter of the 6 th fiscal year	The 5 th consolidated fiscal year
Fiscal period		From January 1, 2009 to June 30, 2009	From April 1, 2009 to June 30, 2009	From January 1, 2008 to December 31, 2008
Turnover	US\$'000 JP¥'m	17,555 (1,685)	8,461 (812)	279,351 (26,820)
Ordinary income / loss (△)	US\$'000 JP¥'m	△12,053 (△1,157)	△4,747 (△456)	△54,789 (△5,260)
Net income / loss (△)	US\$'000 JP¥'m	△18,507 (△1,777)	△6,996 (△672)	△268,322 (△25,762)
Net assets	US\$'000 JP¥'m	- (-)	101,617 (9,756)	119,592 (11,482)
Total assets	US\$'000 JP¥'m	- (-)	149,193 (14,324)	216,113 (20,749)
Net assets per share	US\$ JP¥	- (-)	63.68 (6,113.92)	75.15 (7,215.15)
Net income / loss (△) per share	US\$ JP¥	△12.43 (△1,193.00)	△4.70 (△450.80)	△212.89 (△20,439.57)
Diluted EPS	US\$ JP¥	- (-)	- (-)	- (-)
Capital adequacy ratio	(%)	-	63.6	51.7
Cashflow provided by (△used in) operating activities	US\$'000 JP¥'m	△7,251 (△696)	- (-)	57,491 (5,520)
Cashflow provided by (used in) investing activities	US\$'000 JP¥'m	1,955 (188)	- (-)	△82,347 (△7,906)
Cashflow provided by (used in) financing activities	US\$'000 JP¥'m	△37,676 (△3,617)	- (-)	△27,302 (△2,621)
Cash and cash equivalents, end of the year	US\$'000 JP¥'m	- (-)	14,650 (1,407)	57,624 (5,532)
Number of employees		-	297	465
EBITDA	US\$'000 JP¥'m	△1,150 (△110)	△367 (△35)	△160 (△15)

Notes :

1. Consumption tax is not included in turnover.
2. Regarding information on diluted net profits per share, as XFL is in a loss position such information is not stated herein, even if XFL has shares with dilutive effect.
3. The consolidated financial statements of the Group are stated in U.S. dollars. In accordance with Article 86 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥96.01, from the Tokyo Foreign Exchange Market as of June 30, 2009. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (rounded). Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the above-mentioned exchange rate.
4. We define EBITDA in relation to our Japanese GAAP financial statements as operating income or loss plus depreciation, amortization of goodwill and amortization of deferred long term contracts within cost of sales. EBITDA is presented because we believe that it is an important measure of our financial performance. EBITDA is not a Japanese GAAP measurement and should not be considered in isolation or as a substitute for income or cash flow statement data prepared in accordance with applicable generally accepted accounting principles. It should be understood that items excluded in calculating EBITDA, such as depreciation and amortization, are significant components in understanding and assessing the Company's performance.
5. The disclosure documents of the Group included in this Quarterly Report have been prepared in accordance with Disclosure Rules for Financial Statements and in conformity with generally accepted accounting principles in Japan (Japanese GAAP). Additionally, financial statements in accordance with International Financial Reporting Standards (IFRS) have been prepared for global investors in accordance with the Company's past practice. Significant differences between Japanese GAAP and IFRS as applied to us include those relating to share issuance costs, listing related costs, amortization of goodwill and share based payments.

2. Business Overview

There have been no material changes in the business in this Quarter.

3. Related Companies

There have been no material changes in the related companies in this Quarter.

4. Employees

(1) The Group:

As of June 30, 2009

	Headcount
TOTAL	297

Note: The decrease in headcount during this Quarter was 24, and this was due mainly to the reduction in staff in the Company's Solutions business.

(2) The Company:

As of June 30, 2009

Number of Employees 3

III. CONDITION OF BUSINESS OF THE GROUP

1. Condition of Production, Order Acceptance and Sales

(1) Condition of Production and Order Acceptance:

As we are a services company, this is not applicable.

(2) Condition of Sales:

Please see "4 Analysis of financial condition and operating results"

2. Risks related to Business etc.

There have been no occurrence of nor any material changes to matters in connection with the risks related to business etc..

3. Material Contracts Relating to Business

REDEMPTION OF US\$2,911 THOUSAND OF 10% SENIOR GUARANTEED NOTES ("NOTES")

In April 2009, the Company redeemed US\$2,911 thousand (¥279 million) of its Notes by using the proceeds from the sale of non core businesses.

4. Analysis of Financial Condition and Operating Results

(1) Operating results analysis

In the Index service line, we offer a broad series of benchmark and tradable indices, tracking the China equity and bond markets, through our partnerships with FTSE Group and Barclays Capital. At the end of June 2009, the AUM tracking Xinhua FTSE Index ("XFI") indices or benchmarking against XFI products was US\$110 billion..

In the Ratings service line, we publish Chinese company reports and industry studies on the China markets. During the second quarter of 2009, the ratings team designed judging criteria and nominated candidates to China's Banking Industry Awards, organized by Economic Observer, a leading Chinese economic newspaper. Dr. Chung Hsing Chen, our Ratings head, was invited to speak at various investor conferences organized by Chinese and Taiwanese financial institutions. The team also published over 20 public information reports concerning the real estate, shipping & port, pharmaceuticals and energy sectors. These reports expanded our ratings coverage and provided insights and credit risk analysis in response to the global financial crisis and China's economic stimulus plan.

In the Solutions service line, we provide comprehensive market data and research via financial terminals, reports, SMS and mobile applications.

During this Quarter, the Company redeemed US\$2,911 thousand (¥279 million) principal amount of its 10% Senior Guaranteed Notes due 2011 (the "Notes") by using the proceeds from the sale of none core businesses, leaving US\$9,407 thousand (¥903 million) principal amount of the Notes outstanding as at the end of June 2009.

(1) The sale of many of our non-core businesses, such as Mergent Inc ("Mergent"), Washington Analysis Corporation ("Washington Analysis"), Market News International Inc. ("MNI") and Shanghai Far East Credit Rating Co., Ltd. ("SFE"), (2) the closure of our Asia news business, and (3) the deconsolidation of Xinhua Sports and Entertainment Limited ("XSEL") (formerly known as Xinhua Finance Media Limited) in 2008, have resulted in significant differences between the results of FY2008 and FY2009.

Turnover

Turnover was US\$8,461 thousand (¥812 million) for this Quarter.

Lower turnover in this Quarter compared to the second consolidated quarter of the fiscal year 2008 is primarily due to the Company's much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business.

Cost of sales

Cost of sales was US\$2,989 thousand (¥287 million) for this Quarter.

Lower cost of sales in this Quarter compared to the second consolidated quarter of the fiscal year 2008 is primarily due to the Company's much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business.

Gross profit margin

Gross profit margin was 64.7% for this Quarter. The higher gross profit margin in the second quarter of 2009 compared to the second consolidated quarter of the fiscal year 2008 was mainly the result of the deconsolidation of XSEL, as XSEL has a lower gross profit margin.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US\$6,152 thousand (¥591 million) for this Quarter.

Lower selling, general and administrative expenses in this Quarter compared to the second consolidated quarter of the fiscal year 2008 is primarily due to the Company's much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business. The reduction is also attributable to reductions in corporate costs from a year ago.

Operating income

Operating loss was US\$681 thousand (¥65 million) for the second quarter of 2009.

The smaller operating loss in this Quarter compared to the second consolidated quarter of the fiscal year 2008 is primarily due to the Company's lower selling general and administrative expenses, and lower depreciation, as a result of the Company's much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business. The improvement is also attributable to reductions in corporate costs from a year ago.

Ordinary income

Ordinary loss was US\$4,747 thousand (¥456 million) for the second quarter of 2009.

The ordinary loss in this Quarter is primarily due to the sharing of XSEL's losses in 2009. In 2009, XSEL is accounted for as an associated company instead of a consolidated subsidiary.

Net income for the period

Net loss was US\$6,996 thousand (¥672 million) for this Quarter.

The net loss for this Quarter includes:

- 1) gain on sales of stocks of subsidiaries and affiliates of US\$895 thousand (¥86 million);
- 2) taxation charge of US\$1,244 thousand (¥119 million); and
- 3) minority interests in income of US\$1,339 thousand (¥129 million).

EBITDA

We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization of goodwill and amortization of deferred long term contracts within cost of sales. For this Quarter, EBITDA was a loss of US\$367 thousand (¥35 million).

(2) Total Assets, Net Assets and Liabilities Analysis

Total Assets

Total Assets as at June 30, 2009, was US\$149,193 thousand (¥14,324 million) compared to US\$933,128 thousand (¥89,590 million) as at June 30, 2008. Lower Total Assets as at June 30, 2009 compared to as at June 30, 2008 is mainly due to the reduced size of the Company in 2009. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business.

Total Net Assets

Total Net Assets as at June 30, 2009, was US\$101,617 thousand (¥9,756 million) compared to US\$577,251 thousand (¥55,422 million) as at June 30, 2008. Lower Total Net Assets as at June 30, 2009 compared to as at June 30, 2008 is mainly due to the reduced size of the Company in 2009. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business.

Total Liabilities

Total Liabilities as at June 30, 2009, was US\$47,576 thousand (¥4,568 million) compared to US\$355,877 thousand (¥34,168 million) as at June 30, 2008. Lower Total Liabilities as at June 30, 2009 compared to as at June 30, 2008 is mainly due to the reduced size of the Company in 2009. This is the result of the deconsolidation of XSEL and the sale of non core businesses such as Mergent and Washington Analysis in 2008, the sale of MNI and SFE in 2009, and the closure of the Company's Asia news business.

(3) Cash Flow Analysis

Operating activities

Net cash used in operating activities amounted to US\$1,640 thousand (¥157 million) for this Quarter mainly due to working capital requirements.

Investing activities

Net cash obtained in investing activities amounted to US\$807 thousand (¥77 million) for this Quarter mainly due to proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation of US\$612 thousand (¥59 million).

Financing Activities

Cash flow used in financing activities amounted to US\$3,315 thousand (¥318 million) for this Quarter which mainly consisted of redemption of bonds of US\$2,911 thousand (¥279 million).

Cash Balance

As a result of the activities described in "Operating Activities", "Investing Activities" and "Financing Activities" above, the net cash and cash equivalents was US\$14,650 thousand (¥1,407 million) as at June 30, 2009. The ending cash and bank balance was US\$33,007 thousand (¥3,169 million) as at June 30, 2009, as shown on the balance sheet.

(4) Operational or Financial Issues to be dealt with

The Company did not have any material change in, or any material new occurrence of, operational or financial issues to be dealt with during this Quarter.

(5) Research and Development

The Company did not have any research and development during this Quarter.

IV. CONDITION OF FACILITIES

1. Relocation of major facilities

The relocation of major facilities during this Quarter are as follows;

(1) Business Head Quarters

Of the business head quarters of the Company in Shanghai, the Company has terminated the lease contract of the following head quarter/office as effective on 8 June 2009.

Location	Unit 3905-3909, 1 Grand Gateway, 1 Hong Qiao Road, Xu Hui District, Shanghai, China.
Purpose	Headquarters of the Business / Management of the Group
Area	889.82 m ² (leased)
Number of Employees	65 staff
Rent (2009 Monthly)	RMB 270 thousand (¥3,744 thousand)

Location	Unit 3910, 1 Grand Gateway, 1 Hong Qiao Road, Xu Hui District, Shanghai, China.
Purpose	Office
Area	138.30 m ² (leased)
Number of Employees	17 staff
Rent (2009 Monthly)	RMB 46 thousand (¥637 thousand)

Accordingly, the Head Quarter of the Company has been relocated to the following address as of the same date.

Location	1606 Bank Mansion of Shanghai, 168 Yin Cheng Central Road, Pudong Shanghai, China
Purpose	Headquarters of the Business / Management of the Group (After 8 June 2009)
Area	348.36 m ² (leased, which expires on May 24, 2010)
Number of Employees	17 staff
Rent (2009 Monthly)	RMB 97 thousand (¥1,362 thousand)

Additionally, the Company has established the following new office as of the same date.

Location	9A, Qi Hua Tower, 1375 Huai Hai Road Middle, Shanghai, China
Purpose	Office
Area	204 m ² (leased, which expires on May 31, 2010)
Number of Employees	20 staff
Rent (2009 Monthly)	RMB 29 thousand (¥407 thousand)

(2) Other Facilities

There was no material change to other major facilities.

2. Plans for new creation and disposal of facilities

There was no material change or new fixed plan for the new creation, expansion, renovation, disposal or sale of facilities as at the end of the previous consolidated fiscal year, during this Quarter.

V. CONDITION OF THE REPORTING COMPANY

1. Condition of Shares, etc. (As of June 30, 2009)

(1) Total number of shares, etc.

Number of Authorized Shares:	2,500,000
Total Number of Shares Outstanding:	1,490,105.79
Number of Shares Unissued:	1,009,894.21*

Note: The Company has on 31 August 2007 approved the issuance of a maximum of 27,000 shares to directors, officers and employees, a maximum of 10,753 shares of which could be granted in three separate tranches, among which 10,743 shares were actually granted and became issuable with a vesting schedule of 3,675 shares, 3,486 shares and 3,582 shares vested on 31 December 2007, 31 December 2008 and 31 December 2009 respectively, and the

rest of which, namely 16,247 shares, have been set aside for issuance from time to time by the CEO. Of the above 27,000 shares, 15,294 shares have been already actually issued by 30 June, 2009, representing 3,265 shares became issuable on 31 December 2007, 54 shares became issuable on 31 December 2008, 11,975 shares to be issued at the discretion of the CEO. As a result, the number of the unissued shares among the above 27,000 shares is 11,706, as of 30 June 2009.

Of the above 11,706 unissued shares as of 30 June 2009, 3,113 shares representing 225 shares became issuable on 31 December 2008, 75 shares originally intended to become issuable on 31 December 2009 but early vested on 15 May 2009 and 2,813 shares to be issued at the discretion of the CEO were issued on 3 July 2009, after which the number of the unissued shares among the 27,000 shares which the Company has approved to issue to directors, officers and employees on 31 August 2007 became 8,593 as of the date of submission of this Quarterly Report. Further, of the aforementioned 8,593 shares, 637 shares representing 150 shares vesting on 31 December 2009 and 487 shares to be issued at the discretion of the CEO will be issued on or about 31 December 2009.

Details of Shares Outstanding

Registered / bearer shares And Par value or no-par-value	Registered shares with par value of HK\$20.00 per share
Class:	Ordinary
Number of shares outstanding:	1,490,105.79 (as of June 30, 2009)
Name of financial instruments exchange or authorized financial instruments firms association in which shares are listed or registered	Tokyo Stock Exchange (Mothers Section)
Content:	Ordinary share of the Company with full voting right

(2) Total number of shares issued and changes in capital stock

Date	Number of Shares Increased/Decreased	Cumulative Number of Shares Issued*	Increase/Decrease in Total Capital US\$*	Cumulative Total Capital US\$ (JPY)*
From April 1, 2009 to June 30, 2009	-	1,490,105.79	-	382,668,225 (36,739,976,282)

Notes :

- 1 "Total Capital" includes share capital and share premium.
- 2 No option was exercised in this Quarter.

The following table sets forth certain information as of June 30, 2009 regarding the options granted pursuant to the Employee Stock Compensation Plan.

	Number of Options	Issue Price of the Shares to be Issued upon the Exercise of the Options (per share)	Amount of Increase in the Share Capital upon the Exercise of Options (per share)
Options granted pursuant to the Employee Stock Compensation Plan on 9 Feb 2005	600	US\$666.67	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan for 2005	9,601	JPY49,316	HK\$20
Options granted to an independent director pursuant to the Employee Stock Compensation Plan on 31 Jan 2006	1,000	JPY71,844	HK\$20
Options granted pursuant to the Employee Stock Compensation	18,417	JPY71,844	HK\$20

DOCS #288250 v27A---*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

Plan for 2006			
Options granted pursuant to the Employee Stock Compensation Plan for 2009	157,830	JPY1,703	HK\$20

Notes :

- The Company has established an employee stock compensation plan, which is administered by the compensation committee. It provides for coverage to include employees, directors, consultants and/or advisors and any others as determined by the board. The share price or option price (as the case may be) is determined by the committee but may not be below par value. The share pool is subject to adjustment but may not exceed 20% of the Enlarged Share Capital of the Company. Enlarged Share Capital is defined as the fully-diluted total outstanding share capital of the Company.
- The number of underlying share for each option is one (1).

(3) Major Shareholders

<u>Number</u>	<u>Name of Shareholder</u>	<u>Address</u>	<u>Number of Shares</u>	<u>Shareholding %</u>
1	Luck Wing Group Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	238,808	16.03%
2	NIS Group Co., Ltd.	Shinjuku L-Tower 25F, 1-6-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo	114,717.015	7.70%
3	PICTET & CIE 828060 Standing Proxy: SMBC	1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006	68,074	4.57%
4	HSBC BROKING SEC. (ASIA) – CUST.SEG.AC	Custody Department, 3-11-1 Nihonbashi, Chuo-ku, Tokyo 103-0027	47,384	3.18%
5	Nomura Singapore Standing Proxy: Nomura Securities	1-9-1 Nihonbashi, Chuo-ku, Tokyo 103-8011	45,599	3.06%
6	BBH (LUX) FOR GENESIS SMALLER CO. Standing Proxy:BTMU	BTMU 2-11-3 Hamamatsucho, Minato-ku, Tokyo 105-0013	40,500	2.72%
7	Morgan Stanley and Company	CitiBank CitiGroup Center14F Higashishinagawa, Shinaga-ku, Tokyo 140-8639	30,169	2.02%
8	Kazunori Miyata	Miyakonojoshi, Miyazaki	28,524	1.91%
9	UBS Financial Service Standing Proxy: UBS Securities	Otemachi First Square East Tower 1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004	23,787	1.60%
10	UBS AG LONDON BR IPB SEG CLIENT AC	CitoBank CitiGroup Center14F Higashishinagawa, Shinaga-ku, Tokyo 140-8639	20,000	1.34%
	Total	—	657,562.015	44.13%

Notes : *The above table provides the major shareholders to the knowledge of the Company, based on the list of substantial shareholders as of 25 March 2009, along with the relevant Large Shareholder's Report and information provided by major shareholders etc. thereafter until 30 June 2009 .

2. Trend in Share Prices

The following table provides the highest and lowest share prices for each month during this Cumulative Quarter on The Tokyo Stock Exchange.

Month	Share Price High (Yen)	Share Price Low (Yen)
January 2009	2,595	1,232
February 2009	1,645	1,036
March 2009	1,480	1,130
April 2009	1,880	1,352
May 2009	2,800	1,497
June 2009	2,605	1,905

3. Director and Officers

There was no change in Directors and officers since the previous Annual Securities Report until the date of submission of this Quarterly Report.

VI. FINANCIAL CONDITION

1. Basis of presenting quarterly consolidated financial statements

- (1) The quarterly consolidated financial statements of the Company were prepared in accordance with “Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements” (Cabinet Office Regulations the 64th, 2007, which is hereinafter referred to as “Quarterly Consolidated Financial Statements Rule”).
- (2) The third clause of Article 83 of the Quarterly Financial Statements Rule is applied to the financial information of the Company.
- (3) The quarterly consolidated financial statements of the Company are stated in U.S. dollars. The amounts in Japanese yen are calculated by the foreign currency exchange rate (mean of the buying and selling rates) in the Tokyo Foreign Exchange Market as of June 30, 2009, which is calculated as US\$1 =96.01 Japanese yen, in accordance with Article 86 of the Quarterly Financial Statements Rule. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (rounded). Please note that the Japanese yen amounts are stated for convenience only. The amounts in U.S. dollar may not have been or may not be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.

2. Audit certification

Pursuant to first clause of Article 193-2 of the Financial Instruments and Exchange Law, Deloitte Touche Tohmatsu LLC has performed a quarterly review on the quarterly consolidated financial statements of the Company for the second quarter, ended June 30, 2009 (from April 1, 2009 to June 30, 2009), and the consolidated financial statements of the Company for the six months (from January 1, 2009 to June 30, 2009). On 1 July, 2009, Deloitte Touche Tohmatsu, from which the Company had been receiving audit certification previously, became Deloitte Touche Tohmatsu LLC pursuant to the change in the category of auditing firms.

1. Quarterly Consolidated Financial Information

① Quarterly consolidated balance sheets

		2nd quarter Consolidated fiscal period - current year (As of June 30, 2009) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (As of June 30, 2009) (Unit: Millions of Japanese Yen)	Consolidated fiscal year - prior year (As of December 31, 2008) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal year - prior year (As of December 31, 2008) (Unit: Millions of Japanese Yen)
Assets					
Current assets					
Cash and deposits	※1	33,007	3,169	75,289	7,228
Accounts receivable-trade	※2	11,756	1,129	8,203	788
Short-term investment securities		-	-	756	73
Accounts receivable-other		2,571	247	5,014	481
Short-term loans receivable		6,531	627	-	-
Other	※2	3,473	333	14,337	1,376
Total current assets		57,337	5,505	103,600	9,947
Non-current assets					
Property, plant and equipment					
Buildings and structures		743	71	5,566	534
Accumulated depreciation		△ 383	△ 37	△ 1,950	△ 187
Buildings and structures, net		361	35	3,616	347
Tools, furniture and fixtures		2,981	286	8,095	777
Accumulated depreciation		△ 1,791	△ 172	△ 5,940	△ 570
Tools, furniture and fixtures, net		1,191	114	2,155	207
Total property, plant and equipment		1,551	149	5,772	554
Intangible assets					
Goodwill		4,891	470	15,114	1,451
Others		885	85	1,033	99
Total intangible assets		5,777	555	16,147	1,550
Investments and other assets					
Investment securities		21	2	205	20
Stocks of subsidiaries and affiliates		76,454	7,340	89,062	8,551
Investments in capital of subsidiaries and affiliates		-	-	188	18
Other	※2	7,880	757	-	-
Total investments and other assets		84,356	8,099	89,455	8,589
Total non-current assets		91,684	8,803	111,373	10,693
Deferred assets					
Bond issuance costs		172	17	1,140	109
Total deferred assets		172	17	1,140	109
Total assets		149,193	14,324	216,113	20,749

		2nd quarter Consolidated fiscal period - current year (As of June 30, 2009) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (As of June 30, 2009) (Unit: Millions of Japanese Yen)	Consolidated fiscal year - prior year (As of December 31, 2008) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal year - prior year (As of December 31, 2008) (Unit: Millions of Japanese Yen)
Liabilities					
Current liabilities					
Accounts payable-trade		1,751	168	5,804	557
Current portion of bond		-	-	41,474	3,982
Short-term loans payable	※1,3	22,600	2,170	16,208	1,556
Income taxes payable		2,949	283	2,372	228
Accounts payable-other		1,138	109	1,971	189
Accrued expenses		6,640	637	15,313	1,470
Unearned revenue		1,661	159	1,685	162
Notes payable-non-operating		1	0	44	4
Lease obligations	※1	8	1	9	1
Other		364	35	452	43
Total current liabilities		37,110	3,563	85,333	8,193
Non-current liabilities					
Bonds payable		9,365	899	9,508	913
Lease obligations	※1	-	-	4	0
Long-term accounts payable-other		400	38	400	38
Deferred tax liabilities		170	16	202	19
Other		531	51	1,074	103
Total non-current liabilities		10,466	1,005	11,188	1,074
Total liabilities		47,576	4,568	96,521	9,267
Net Assets					
Shareholders' equity					
Capital stock		3,821	367	3,810	366
Deposit for subscriptions to shares	※5	1,154	111	-	-
Capital surplus		402,763	38,669	401,693	38,567
Retained earnings		△ 288,056	△ 27,656	△ 269,549	△ 25,879
Total shareholders' equity		119,681	11,491	135,955	13,053
Valuation and translation adjustments					
Valuation differences on available-for-sale securities		-	-	40	4
Foreign currency translation adjustments	※4	△ 24,795	△ 2,381	△ 24,320	△ 2,335
Total valuation and translation adjustments		△ 24,795	△ 2,381	△ 24,280	△ 2,331
Subscription rights to shares		488	47	1,797	173
Minority interests		6,243	599	6,120	588
Total net assets		101,617	9,756	119,592	11,482
Total liabilities and net assets		149,193	14,324	216,113	20,749

② Quarterly consolidated income statements

Second quarter consolidated income statements (For the six months ended June 30, 2009)

		2nd quarter	2nd quarter
		Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)
Net sales		17,555	1,685
Cost of sales		6,385	613
Gross profit		11,170	1,072
Selling, general and administrative expenses			
Directors' compensations		645	62
Salaries and allowances		4,930	473
Advertising expenses		57	5
Depreciation		485	47
Amortization of goodwill		206	20
Others		6,732	646
Total selling, general and administrative		13,055	1,253
Operating loss (△)		△ 1,885	△ 181
Non-operating income			
Interest and dividend income		787	76
Commission fee		1,164	112
Others		517	50
Total non-operating income		2,467	237
Non-operating expenses			
Interest expenses		2,865	275
Foreign exchange loss		32	3
Equity in loss of affiliates		9,739	935
Total non-operating expenses		12,636	1,213
Ordinary loss (△)		△ 12,053	△ 1,157
Extraordinary gains			
Gain on sales of stocks of subsidiaries and affiliates	※2	1,042	100
Total extraordinary gains		1,042	100
Extraordinary losses			
Loss on change in equity		2,570	247
Loss on sales of stocks of subsidiaries and affiliates	※2	35	3
Loss on sales and retirement of noncurrent assets	※1	91	9
Others		486	47
Total extraordinary losses		3,183	306
Loss before income taxes and minority interests (△)		△ 14,194	△ 1,363
Income taxes (current)		1,252	120
Income taxes (deferred)		△ 21	△ 2
Total income tax		1,231	118
Minority interests in income		3,082	296
Net loss for the period (△)		△ 18,507	△ 1,777

Second quarter consolidated income statements (For the three months ended June 30, 2009)

		2nd quarter Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)
Net sales		8,461	812
Cost of sales		2,989	287
Gross profit		5,471	525
Selling, general and administrative expenses			
Directors' compensations		487	47
Salaries and allowances		2,008	193
Advertising expenses		20	2
Depreciation		214	21
Amortization of goodwill		77	7
Others		3,345	321
Total selling, general and administrative		6,152	591
Operating loss (△)		△ 681	△ 65
Non-operating income			
Interest and dividend income		260	25
Foreign exchange gain		382	37
Commission fee		909	87
Others		271	26
Total non-operating income		1,822	175
Non-operating expenses			
Interest expenses		614	59
Equity in loss of affiliates		5,274	506
Total non-operating expenses		5,888	565
Ordinary loss (△)		△ 4,747	△ 456
Extraordinary gains			
Gain on sales of stocks of subsidiaries and affiliates	※2	895	86
Total extraordinary gains		895	86
Extraordinary losses			
Loss on change in equity		15	1
Loss on sales of stocks of subsidiaries and affiliates	※2	162	16
Loss on sales and retirement of noncurrent assets	※1	91	9
Others		293	28
Total extraordinary losses		561	54
Loss before income taxes and minority interests (△)		△ 4,413	△ 424
Income taxes (current)		1,256	121
Income taxes (deferred)		△ 12	△ 1
Total income tax		1,244	119
Minority interests in income		1,339	129
Net loss for the period (△)		△ 6,996	△ 672

③Quarterly consolidated cashflow statements

		2nd quarter Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009) (Unit: Thousands of US dollars)	2nd quarter Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)
Net cash provided by (used in) operating activities			
Loss before income taxes and minority interests (△)		△ 14,194	△ 1,363
Depreciation		528	51
Amortization of goodwill		454	44
Interest and dividends income		△ 787	△ 76
Interest expenses		2,865	275
Gain (loss) on change in equity (△ : gain)		2,570	247
Equity in gain (loss) of affiliates (△ : gain)		9,739	935
Gain (loss) on sales and retirement of noncurrent assets (△ : gain)		91	9
Gain (loss) on sales of stocks of subsidiaries and affiliates (△ : gain)		△ 1,006	△ 97
Increase (decrease) in accounts receivable (△ : increase)		△ 4,816	△ 462
Increase (decrease) in accounts payable (△ : decrease)		△ 260	△ 25
Other, net		△ 2,225	△ 214
Subtotal		△ 7,041	△ 676
Income taxes paid		△ 210	△ 20
Net cash provided by (used in) operating activities (△: used in)		△ 7,251	△ 696
Net cash provided by (used in) investment activities			
Interest and dividends income received		787	76
Purchase of property, plant and equipment		△ 133	△ 13
Proceeds from sales of property, plant and equipment		93	9
Payments of short-term loans receivable		△ 6,531	△ 627
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		7,740	743
Net cash provided by (used in) investing activities (△: used in)		1,955	188
Net cash provided by (used in) financing activities			
Interest expenses paid		△ 1,868	△ 179
Increase (decrease) in deposit pledged (△: increase)		△ 352	△ 34
Redemption of bonds		△ 41,854	△ 4,018
Net increase (decrease) in short-term loans payable (△: decrease)		6,398	614
Net cash provided by (used in) financing activities (△: used in)		△ 37,676	△ 3,617
Effect of exchange rate change on cash and cash equivalents		△ 3	△ 0
Net increase (decrease) in cash and cash equivalents (△ : decrease)		△ 42,975	△ 4,126
Cash and cash equivalents at beginning of period		57,624	5,533
Cash and cash equivalents at end of period	※	14,650	1,407

Substantial doubt about its ability to continue as a going concern

2nd quarter - consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)
Not applicable.

Change in basis of presenting quarterly consolidated financial statements

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)	
1	Change in scope of consolidation
(1)	Change in scope of consolidation In the 1st quarter consolidated fiscal period, Market News International Inc. and its subsidiary and Shanghai Far East Credit Rating Co. Ltd. and its 6 subsidiaries, are excluded from the scope of consolidation due to sale of shares. In the 2nd quarter consolidated fiscal period, Xinhua Investment Group Hong Kong Limited is excluded from the scope of consolidation due to dissolution.
(2)	The number of consolidated subsidiaries after the change: 25
2	Change in scope of equity method
(1)	Change in scope of company accounted by the equity method NingBo Far East Credit Rating Co. Ltd (NingBo), which had been accounted by the equity method, was excluded from the scope of the equity method application because the Company sold shares of Shanghai Far East Credit Rating Co. that had held equity interest in NingBo.
(2)	The number of associated companies after the change: 1
3	Change in accounting policies Not applicable.

Additional information

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)	
Conversion of dollars into yen In accordance with the Article 86 of the Quarterly Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=96.01, from the Tokyo Foreign Exchange Market as of June 30, 2009. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. Dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.	

Footnote Information

(Quarterly consolidated balance sheets)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

2nd quarter - Consolidated fiscal period - current year (As of June 30, 2009)	Consolidated fiscal year - prior year (As of December 31, 2008)
<p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,357 (1,762)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,179 (1,553)</p>	<p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,004 (1,729)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">15,969 (1,533)</p> <p>Lease obligations</p> <p style="text-align: right;">9 (1)</p> <p>Long term lease obligations</p> <p style="text-align: right;">4 (0)</p>
<p>※2 Assets are presented after deduction of allowance for doubtful accounts.</p> <p>Amounts deducted from current assets:</p> <p style="text-align: right;">185 (18)</p> <p>Amounts deducted from investment and other assets:</p> <p style="text-align: right;">7,417 (712)</p>	<p>※2 Assets are presented after deduction of allowance for doubtful accounts.</p> <p>Amounts deducted from current assets:</p> <p style="text-align: right;">7,581 (728)</p>
<p>※3 Xinhua Financial Network (Shanghai) Ltd., Xinhua Financial Network Korea Company Limited, and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the lines of credit and the balance outstanding under the agreements at June 30, 2009 are as follows:</p> <p>Total amount of the line of credit</p> <p style="text-align: right;">30,671 (2,945)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,457 (1,580)</p> <hr/> <p>Remaining amount of the line of credit</p> <p style="text-align: right;">14,214 (1,365)</p>	<p>※3 Xinhua Financial Network (Shanghai) Ltd., Xinhua Financial Network Korea Company Limited, and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the lines of credit and the balance outstanding under the agreements at December 31, 2008 are as follows:</p> <p>Total amount of the lines of credit</p> <p style="text-align: right;">30,308 (2,910)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,071 (1,543)</p> <hr/> <p>Remaining amount of the lines of credit</p> <p style="text-align: right;">14,237 (1,367)</p>
<p>※4 This account includes the difference arising on the translation of Xinhua Finance Limited's functional currency into reporting currency.</p>	<p>※4 Same as on the left.</p>
<p>※5 Deposit for subscriptions to shares</p> <p>The Company granted its shares to the directors, former directors and independent directors of the Company. As the shares are not issued as of June 30, 2009, the amounts of share based payments are recognized as Deposit for subscriptions to shares on the basis of share price at the grant date.</p> <p>Therefore, there is no paid-in cash for these shares granted as compensation.</p> <p>23,838 shares were issued on July 3, 2009 recognizing USD61 thousand (JPY 6million) as Capital stock and USD1,093 thousand (JPY 105 million) as Capital surplus.</p>	<p>※5 _____</p>
<p>※1-5 notes correspond with ※1-5 as denoted in the consolidated balance sheet.</p>	<p>Same as on the left.</p>

(Quarterly consolidated income statements)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)	
※1 Components of loss on sales and retirement of noncurrent assets are follows:	
Buildings and structures	53
	(5)
Tools, furniture and fixtures	38
	(4)
※2 Gain(Loss) on sales of stocks of subsidiaries and affiliates Gain (Loss) on sales of stocks of subsidiaries and affiliates is the reduced (increased) amount of expenses related to the sale, respectively, due to the adjustments of expenses. The adjustments were made in the 2nd quarter because the expenses were estimated amounts in the 1st quarter and they were fixed in the 2nd quarter. Therefore, aggregate amounts of Gain (Loss) on sales of stocks of subsidiaries and affiliates, respectively, for the three months period of 1st quarter and for the three months period of 2nd quarter does not tie to those amounts in the six months period of 2nd quarter.	
※1-2 notes correspond with ※1-2 as denoted in the consolidated income statement.	

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)	
※1 Components of loss on sales and retirement of noncurrent assets are follows:	
Buildings and structures	53
	(5)
Tools, furniture and fixtures	38
	(4)
※2 Gain(Loss) on sales of stocks of subsidiaries and affiliates Gain (Loss) on sales of stocks of subsidiaries and affiliates is the reduced (increased) amount of expenses related to the sale, respectively, due to the adjustments of expenses. The adjustments were made in the 2nd quarter because the expenses were estimated amounts in the 1st quarter and they were fixed in the 2nd quarter. Therefore, aggregate amounts of Gain (Loss) on sales of stocks of subsidiaries and affiliates, respectively, for the three months period of 1st quarter and for the three months period of 2nd quarter does not tie to those amounts in the six months period of 2nd quarter.	
※1-2 notes correspond with ※1-2 as denoted in the consolidated income statement.	

(Consolidated cashflow statements)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

2nd quarter - Consolidated fiscal period
- current year
(From January 1, 2009 to June 30, 2009)

※ Reconciliation between ending balance of cash and cash equivalents
in the 2nd quarter consolidated cashflow statement and balance in the
consolidated balance sheet:

Cash and deposits	33,007
	(3,169)
Deposit pledged as collateral	△18,357
	(△1,762)
Cash and cash equivalents	14,650
	(1,407)

(Shareholders' equity)

2nd quarter - Consolidated fiscal period - current year (As of June 30, 2009 and from January 1, 2009 to June 30, 2009)

1. Number and class of issued shares
Ordinary share 1,490,106 shares
2. Number and class of repurchased shares
Not applicable.
3. Share subscription rights
The ending balance of share subscription rights granted by the Company as share option rights is USD 488 thousand (JPY 47 million).
4. Dividend
Not applicable.
5. Material change in Shareholders' equity
The Company granted its shares to the directors, former directors and independent directors of the Company based on the share based payment agreements. As the shares are not issued as of June 30, 2009, the amounts of share based payments are recognized as Deposit for subscriptions to shares on the basis of share price at the grant date. As a result, Deposit for subscriptions to share is USD 1,154 thousand (JPY 111 million).

(Segment information)

【Business segmental information】

2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009 and From January 1, 2009 to June 30, 2009)

Consolidated subsidiaries of the Company operating Media business in consolidated fiscal year – prior year were excluded from the scope of consolidation as of December 31, 2008 and are accounted for under equity method.

As a consequence, the Group operates in one business segment from 1st quarter – consolidated fiscal period thus information on business segment is omitted.

【Regional segmental information】

2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales							
(1) Outside customer	114	7,372	975	-	8,461	-	8,461
	(11)	(708)	(94)	(-)	(812)	(-)	(812)
(2) Inter segment or transfer	-	1,707	-	-	1,707	△ 1,707	-
	(-)	(164)	(-)	(-)	(164)	(△164)	(-)
Total	114	9,079	975	-	10,168	△ 1,707	8,461
	(11)	(872)	(94)	(-)	(976)	(△164)	(812)
Operating income / loss	△ 15	2,966	△ 550	△ 3,124	△ 723	43	△ 681
(△)	(△1)	(285)	(△53)	(△300)	(△69)	(4)	(△65)

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales							
(1) Outside customer	247	14,029	3,254	26	17,555	-	17,555
	(24)	(1,347)	(312)	(2)	(1,685)	(-)	(1,685)
(2) Inter segment or transfer	-	4,593	47	2,051	6,691	△ 6,691	-
	(-)	(441)	(4)	(197)	(642)	(△642)	(-)
Total	247	18,622	3,301	2,077	24,246	△ 6,691	17,555
	(24)	(1,788)	(317)	(199)	(2,328)	(△642)	(1,685)
Operating income / loss	△ 46	6,753	△ 1,579	△ 7,053	△ 1,925	41	△ 1,885
(△)	(△4)	(648)	(△152)	(△677)	(△185)	(4)	(△181)

Note

- 1 Location segments are based on geographical proximity.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and other locations.
 - (2) North America.....U.S.A.
 - (3) Others..... U.K., British West Indies and other locations.

【Overseas sales】

2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

	Asia	North America	Europe	Others	Total
I Overseas sales	4,791 (460)	490 (47)	2,963 (284)	8 (1)	8,251 (792)
II Consolidated sales					8,461 (812)
III Ratio of overseas sales which accounts for consolidated sale (%)	56.6%	5.8%	35.0%	0.1%	97.5%

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

	Asia	North America	Europe	Others	Total
I Overseas sales	9,572 (919)	1,596 (153)	5,882 (565)	10 (1)	17,060 (1,638)
II Consolidated sales					17,555 (1,685)
III Ratio of overseas sales which accounts for consolidated sale (%)	54.5%	9.1%	33.5%	0.1%	97.2%

Note

- 1 Location segments are based on the geographical proximity.
- 2 Main countries or locations which do not belong to Japan.:
 - (1)Asia Hong Kong, China, Singapore and other locations.
 - (2)North AmericaU.S.A. and Canada
 - (3)Europe.....U.K., Germany, France and other locations.
 - (4)Others.....Australia, South America and other locations.
- 3 Overseas sales are sales of the Group recognized in countries or locations other than Japan.

(Share options, warrants or share-based payments granted or issued)

2nd quarter - consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)

Expenses recognized

Selling, general and administrative expenses – Directors' emolument USD 224 thousand (JPY 21 million)

Selling, general and administrative expenses – Other USD 700 thousand (JPY 67 million)

(Share option)

2nd quarter - consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)

Share option granted during the period is as follows;

Company	The Company
Type	Share option
Category and number of person designated	4 independent directors, 1 director and 17 employees
Class and number of objective shares (*1)	157,830 ordinary shares
Grant date	May 22, 2009
Terms and condition for vesting	1/3 grant vested on Dec 31, 2009; 1/3 vested on Dec 31, 2010; 1/3 vested on Dec 31, 2011 (*2)
Service period required to be vested	From May 22, 2009 to Dec 31, 2011
Exercisable period	From Dec 31, 2009 to Dec 31, 2019
Exercise price	JPY 1,703
Fair value of option at grant date	JPY 1,816

(*1) The number of shares to be applied.

(*2) If employment is terminated for cause, vesting will cease and any un-exercised portion of the option will be forfeited immediately on the last employment date.

If employment is terminated voluntarily by the employee:

- 1) Unvested options (if any) which are scheduled to vest in the same calendar year of the termination will vest on the last day of that calendar year, and expire 12 months after the date of vesting
- 2) All unvested options (if any) scheduled to vest in subsequent years will be forfeited
- 3) All vested options may be exercised until expiration of the twelve-month period following the termination, or if earlier, the expiration of the term of the Option.

(Warrant and Share-based payment)

2nd quarter - consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)

Warrant and Share-based payment granted during the period is as follows;

Company Name	The Company	
	Share-based payment (1)	Share-based payment (2)
Type		
Category and number of person designated	1 Director 1 ex-executive	4 independent Directors
Class and number of objective shares (*2)	20,000 Ordinary shares	1,450 Ordinary shares
Grant date (*1)	May 31, 2009	May 31, 2009
Terms and condition for vesting	-	1/2 to be issued on or about May 31, 2009 and 1/2 to be issued on or about Dec 31, 2009

(*1) Contract date as for the share-based payment

(*2) 20,725 ordinary shares were issued on July 3, 2009.

(Per share information)

(Unit: U.S. Dollars (Japanese Yen))

2nd quarter - Consolidated fiscal period - current year (As of June 30, 2009)	Consolidated fiscal year - prior year (As of December 31, 2008)
Net assets per Share 63.68 (6,113.92)	Net assets per Share 75.15 (7,215.15)

(Unit: U.S. Dollars (Japanese Yen))

2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)
Net loss per share 12.43 (1,193.00)	Net loss per share 4.70 (450.80)
As the Group is in a loss position, diluted net loss per share information is not stated.	As the Group is in a loss position, diluted net loss per share information is not stated.

(Note) Basis of calculation for the net loss

(Unit: Thousands of U.S. Dollars (Millions of Japanese Yen))

Item	2nd quarter - Consolidated fiscal period - current year (From January 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From April 1, 2009 to June 30, 2009)
Net loss for the period	18,507 (1,777)	6,996 (672)
Net income NOT attributed to ordinary shareholders	- (-)	- (-)
Net loss attributed to ordinary shares	18,507 (1,777)	6,996 (672)
Average number of ordinary shares during the period (shares)	1,489,430.12	1,490,105.79
Overview of potential shares without dilutive effect excluded from the formula of diluted income per share for the period and changed significantly from consolidated fiscal year – prior year	Share of subscription rights (Number of shares to be issued upon exercise: 157,830 shares) issued by the Company. The overview is stated in V. CONDITION OF THE REPORTING COMPANY, 1. Condition of shares, etc, (2) Total number of shares issued and changes in capital stock	Share of subscription rights (Number of shares to be issued upon exercise: 157,830 shares) issued by the Company. The overview is stated in V. CONDITION OF THE REPORTING COMPANY, 1. Condition of shares, etc, (2) Total number of shares issued and changes in capital stock

(Significant subsequent events)

Not applicable.

2. Others

Not applicable.

2 Other

Not Applicable.

VII. TREND IN FOREIGN EXCHANGE RATES

Since the foreign exchange rate between JPY and USD is published in more than two Japanese daily newspapers, the information is omitted.

PART II. INFORMATION ON THE GUARANTOR, ETC.

I. INFORMATION ON THE GUARANTOR

Not Applicable.

II. INFORMATION ON THE COMPANIES OTHER THAN THE GUARANTOR

Not Applicable.

III. INFORMATION ON INDEX, ETC.

Not Applicable.