

# **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

Filing Date: November 13, 2009

Quarterly Fiscal Year: The Third Quarter of the Sixth Fiscal Year of 2009  
(From July 1, 2009 to September 30, 2009)

Name of Company: Xinhua Finance Limited

Name and Official Title of Representative of Company: Jae Lie  
Chief Executive Officer

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Name of Registration Agent: Toru Ishiguro  
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Places where a copy of this Securities Report is available for Public Inspection: Tokyo Stock Exchange, Inc.  
2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo

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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
  - **“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 = ¥90.21 as of September 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.
  
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 third 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 <sup>st</sup> consolidated<br>(and accumulated) nine<br>months of the 6 <sup>th</sup> fiscal<br>year | The 3 <sup>rd</sup> consolidated quarter<br>of the 6 <sup>th</sup> fiscal year | The 5 <sup>th</sup> consolidated<br>fiscal year |
|---------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------|
| Fiscal period                                           |                   | From January 1, 2009<br>to September 30, 2009                                                              | From July 1, 2009 to<br>September 30, 2009                                     | From January 1, 2008 to<br>December 31, 2008    |
| Turnover                                                | US\$'000<br>JP¥'m | 26,111<br>(2,356)                                                                                          | 8,556<br>(772)                                                                 | 279,351<br>(25,200)                             |
| Ordinary income / loss (△)                              | US\$'000<br>JP¥'m | △17,094<br>(△1,542)                                                                                        | △5,041<br>(△455)                                                               | △54,789<br>(△4,943)                             |
| Net income / loss (△)                                   | US\$'000<br>JP¥'m | △29,399<br>(△2,652)                                                                                        | △10,892<br>(△983)                                                              | △268,322<br>(△24,205)                           |
| Net assets                                              | US\$'000<br>JP¥'m | -<br>(-)                                                                                                   | 90,447<br>(8,159)                                                              | 119,592<br>(10,788)                             |
| Total assets                                            | US\$'000<br>JP¥'m | -<br>(-)                                                                                                   | 139,205<br>(12,558)                                                            | 216,113<br>(19,496)                             |
| Net assets per share                                    | US\$<br>JP¥       | -<br>(-)                                                                                                   | 55.42<br>(4,999.44)                                                            | 75.15<br>(6,779.28)                             |
| Net income / loss (△) per share                         | US\$<br>JP¥       | △19.63<br>(△1,771.07)                                                                                      | △7.20<br>(△649.24)                                                             | △212.89<br>(△19,205)                            |
| Diluted EPS                                             | US\$<br>JP¥       | -<br>(-)                                                                                                   | -<br>(-)                                                                       | -<br>(-)                                        |
| Capital adequacy ratio                                  | (%)               | -                                                                                                          | 60.3                                                                           | 51.7                                            |
| Cashflow provided by<br>(△used in) operating activities | US\$'000<br>JP¥'m | △5,053<br>(△456)                                                                                           | -<br>(-)                                                                       | 57,491<br>(5,185)                               |
| Cashflow provided by (used in)<br>investing activities  | US\$'000<br>JP¥'m | 2,004<br>(181)                                                                                             | -<br>(-)                                                                       | △82,347<br>(△7,429)                             |
| Cashflow provided by (used in)<br>financing activities  | US\$'000<br>JP¥'m | △40,921<br>(△3,691)                                                                                        | -<br>(-)                                                                       | △27,302<br>(△2,463)                             |
| Cash and cash equivalents,<br>End of the year           | US\$'000<br>JP¥'m | -<br>(-)                                                                                                   | 13,683<br>(1,234)                                                              | 57,624<br>(5,198)                               |
| Number of employees                                     |                   | -                                                                                                          | 317                                                                            | 465                                             |
| EBITDA                                                  | US\$'000<br>JP¥'m | △1,172<br>(△106)                                                                                           | △22<br>(△2)                                                                    | △160<br>(△14)                                   |

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.

Note: 08 exchange rate for US\$ to JPY was 103.57

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=¥90.21, from the Tokyo Foreign Exchange Market as of September 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 other intangible assets 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 where information are 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 committed earnout obligations, 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 September 30, 2009

|              | Headcount  |
|--------------|------------|
| <b>TOTAL</b> | <b>317</b> |

### (2) The Company:

As of September 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, operating results and cash flow”

#### 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

In September, 2009, the Company purchased and cancelled US\$ 200 thousand (¥18 million) of its 10% Senior Guaranteed Notes.

#### 4. Analysis of Financial Condition, Operating Results and Cash Flow

In the analysis, each amount of the third consolidated quarter of the fiscal year 2008 used for the comparative analysis is not under the review by the independent auditors

##### (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 September 2009, the AUM tracking Xinhua FTSE Index (“XFI”) indices or benchmarking against XFI products was US\$92 billion.

The ratings team was selected by Taiwan Academy of Banking and Finance, (Taiwan's top research and training institution and a think tank for the finance industry) to conduct research on China's Banking industry and to propose on Taiwan banks' market entry strategy into the China market. The interim report and presentation were delivered successfully in September. The team was also selected by HSBC China to provide internal training services on cash management and credit risk management.

In the Solutions service line, we provide comprehensive market data and research via financial terminals, reports, SMS and mobile applications. Our Solutions team co-hosted a 2 day seminar on pig livestock issues which was attended by enterprises involved in the food processing chain and companies involved in providing agricultural information. The team also attended a national agricultural products trade fair which discussed the opportunities for domestic and foreign funds to invest in China's agricultural sector. Members of the team were also invited to speak about China's agricultural sector on Chinese business television.

##### Turnover

Turnover was US\$8,556 thousand (¥772 million) for this Quarter.

Lower turnover in this Quarter compared to the third 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 Xinhua Sports and Entertainment Limited (“XSEL”) (formerly known as Xinhua Finance Media Limited) and the sale of non core 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.

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businesses such as Mergent Inc (“Mergent”) and Washington Analysis Corporation (“Washington Analysis”) in 2008, the sale of Market News International (“MNI”) and Shanghai Far East Credit Rating Co., Ltd (“SFE”) in 2009, and the closure of the Company’s Asia news business.

#### Cost of sales

Cost of sales was US\$2,392 thousand (¥216 million) for this Quarter.

Lower cost of sales in this Quarter compared to the third 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 72% for this Quarter. The higher gross profit margin for this quarter compared to the third 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\$6,485 thousand (¥585 million) for this Quarter.

Lower selling, general and administrative expenses in this Quarter compared to the third 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\$321 thousand (¥29 million) for this Quarter.

The smaller operating loss in this Quarter compared to the third 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\$5,041 thousand (¥455 million) for this Quarter.

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 as treated in 2008.

#### Net income for the period

Net loss was US\$10,892 thousand (¥983 million) for this Quarter.

The net loss for this Quarter includes:

- 1) deemed loss on change in equity of US\$2,798 thousand (¥252 million), due to the company’s reduced shareholding in XSEL;
- 2) taxation charge of US\$1,395 thousand (¥126 million); and
- 3) minority interests in income of US\$1,707 thousand (¥154 million).

#### EBITDA

We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization of goodwill and other intangible assets within cost of sales. For this Quarter, EBITDA was a loss of US\$ 22 thousand (¥2 million).

## (2) Total Assets, Net Assets and Liabilities Analysis

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### Total Assets

Total Assets as at September 30, 2009, was US\$139,205 thousand (¥12,558 million) compared to US\$880,056 thousand (¥79,390 million) as at September 30, 2008. Lower Total Assets as at September 30, 2009 compared to those as at September 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 September 30, 2009, was US\$90,447 thousand (¥8,159 million) compared to US\$545,505 thousand (¥49,210 million) as at September 30, 2008. Lower Total Net Assets as at September 30, 2009 compared to those as at September 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 September 30, 2009, was US\$48,758 thousand (¥4,398 million) compared to US\$334,551 thousand (¥30,180 million) as at September 30, 2008. Lower Total Liabilities as at September 30, 2009 compared to those as at September 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 provided by operating activities during this quarter amounted to US\$2,198 thousand (¥198 million) mainly due to working capital.

### Investing activities

Net cash provided by investing activities during this quarter amounted to US\$49 thousand (¥4 million) mainly due to interest and dividend income received in the quarter.

### Financing Activities

Cash flow used in financing activities during the quarter amounted to US\$3,245 thousand (¥293 million) which mainly due to cash dividene to minority shareholder US\$2,500 thousand (¥226 million) and interest expense payment paid of US\$539 thousand (¥49 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\$13,683 thousand (¥1,234 million) as at September 30, 2009. The ending cash and bank balance was US\$31,905 thousand (¥2,878 million) as at September 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

There was no material change to major facilities during this Quarter.

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## 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 September 30, 2009)

#### (1) Total number of shares, etc.

|                                     |              |
|-------------------------------------|--------------|
| Number of Authorized Shares:        | 2,500,000    |
| Total Number of Shares Outstanding: | 1,513,943.79 |
| Number of Shares Unissued:          | 986,056.21*  |

Note: On 31 August 2007 the Company 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, 18,407 shares were issued by 30 September, 2009, representing 3,265 shares became issuable on 31 December 2007, 279 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 14,788 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 8,593 as of 30 September 2009. 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:                                                                                                         | 1,513,943.79 (as of September 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 July 1, 2009 to September 30, 2009 | 23,838                               | 1,513,943.79                        | 1,154,072.70                             | 383,822,298<br>(34,624,609,502)      |

Notes :

- 1 "Total Capital" includes share capital and share premium.

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2 No option was exercised in this Quarter.

The following table sets forth certain information as of September 30, 2009 regarding the options granted and remaining outstanding 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 Plan for 2006                                  | 18,417            | JPY71,844                                                                           | HK\$20                                                                           |
| Options granted pursuant to the Employee Stock Compensation Plan for 2009                                  | 156,830           | JPY1,703                                                                            | HK\$20                                                                           |

Notes :

- 1 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.
- 2 The number of underlying share for each option is one (1).

### (3) Major Shareholders

There was no change to major shareholders during this Quarter

## 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                 |
| July 2009      | 2,115                  | 1,501                 |
| August 2009    | 1,822                  | 1,555                 |
| September 2009 | 1,700                  | 1,270                 |

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### 3. Directors and Officers

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

The change in officers since the previous Annual securities Report until the date of submission of this Quarterly Report was as follows.

| Position                | Name                    | Date of birth                 | Term of office | Personal history                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of shares owned | Date of Appointment           |
|-------------------------|-------------------------|-------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------|
| Chief Financial Officer | Yvonne Siuhung WANG-LIU | 22 <sup>nd</sup> August, 1970 | Indefinite     | Ms. Yvonne Wang is responsible for developing the Company's overall financial strategy and internal control. She has over 17 years of solid experience from Big 6 accounting firms. Prior to joining Xinhua Finance, Ms. Wang worked at the Company's subsidiary Xinhua Sports & Entertainment Limited (NASDAQ: XSEL) as the Vice-President of Finance where she led the finance team to successfully obtain Sarbanes Oxley Compliance and a series of campaigns to improve financial control. Ms Wang has a Master of Business Administration (MBA) from University of Southern California and she is a Certified Public Accountant (CPA). | 0                      | 1 <sup>st</sup> October, 2009 |

#### (2) Resigned officer

| Position                | Name                 | Date of resignation |
|-------------------------|----------------------|---------------------|
| Chief Financial Officer | Wang Chih-wen, David | 30 September 2009   |

## 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 September 30, 2009, which is calculated as US\$1 = 90.21 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 third quarter, ended September 30, 2009 (from July 1, 2009 to September 30, 2009), and the consolidated financial statements of the Company for the nine months (from January 1, 2009 to September 30, 2009).

# 1. Quarterly Consolidated Financial Information

## ① Quarterly consolidated balance sheets

|                                                       |    | 3rd quarter Consolidated<br>fiscal period<br>- current year<br>(As of September 30, 2009)<br>(Unit: Thousands of<br>U.S. Dollars) | 3rd quarter Consolidated<br>fiscal period<br>- current year<br>(As of September 30, 2009)<br>(Unit: Millions of<br>Japanese Yen) | Consolidated fiscal year<br>- prior year<br>(As of December 31, 2008)<br>(Unit: Thousands of<br>U.S. Dollars) | Consolidated fiscal year<br>- prior year<br>(As of December 31, 2008)<br>(Unit: Millions of<br>Japanese Yen) |
|-------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Assets</b>                                         |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| <b>Current assets</b>                                 |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Cash and deposits                                     | ※1 | 31,905                                                                                                                            | 2,878                                                                                                                            | 75,289                                                                                                        | 6,792                                                                                                        |
| Accounts receivable-trade                             | ※2 | 11,279                                                                                                                            | 1,018                                                                                                                            | 8,203                                                                                                         | 740                                                                                                          |
| Short-term investment securities                      |    | -                                                                                                                                 | -                                                                                                                                | 756                                                                                                           | 68                                                                                                           |
| Accounts receivable-other                             |    | 2,906                                                                                                                             | 262                                                                                                                              | 5,014                                                                                                         | 452                                                                                                          |
| Short-term loans receivable                           |    | 6,576                                                                                                                             | 593                                                                                                                              | -                                                                                                             | -                                                                                                            |
| Other                                                 | ※2 | 2,432                                                                                                                             | 219                                                                                                                              | 14,337                                                                                                        | 1,293                                                                                                        |
| <b>Total current assets</b>                           |    | <b>55,099</b>                                                                                                                     | <b>4,970</b>                                                                                                                     | <b>103,600</b>                                                                                                | <b>9,346</b>                                                                                                 |
| <b>Non-current assets</b>                             |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| <b>Property, plant and equipment</b>                  |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Buildings and structures                              |    | 774                                                                                                                               | 70                                                                                                                               | 5,566                                                                                                         | 502                                                                                                          |
| Accumulated depreciation                              |    | △ 415                                                                                                                             | △ 37                                                                                                                             | △ 1,950                                                                                                       | △ 176                                                                                                        |
| Buildings and structures, net                         |    | 359                                                                                                                               | 32                                                                                                                               | 3,616                                                                                                         | 326                                                                                                          |
| Tools, furniture and fixtures                         |    | 3,018                                                                                                                             | 272                                                                                                                              | 8,095                                                                                                         | 730                                                                                                          |
| Accumulated depreciation                              |    | △ 1,916                                                                                                                           | △ 173                                                                                                                            | △ 5,940                                                                                                       | △ 536                                                                                                        |
| Tools, furniture and fixtures, net                    |    | 1,102                                                                                                                             | 99                                                                                                                               | 2,155                                                                                                         | 194                                                                                                          |
| <b>Total property, plant and equipment</b>            |    | <b>1,462</b>                                                                                                                      | <b>132</b>                                                                                                                       | <b>5,772</b>                                                                                                  | <b>521</b>                                                                                                   |
| <b>Intangible assets</b>                              |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Goodwill                                              |    | 4,819                                                                                                                             | 435                                                                                                                              | 15,114                                                                                                        | 1,363                                                                                                        |
| Others                                                |    | 812                                                                                                                               | 73                                                                                                                               | 1,033                                                                                                         | 93                                                                                                           |
| <b>Total intangible assets</b>                        |    | <b>5,631</b>                                                                                                                      | <b>508</b>                                                                                                                       | <b>16,147</b>                                                                                                 | <b>1,457</b>                                                                                                 |
| <b>Investments and other assets</b>                   |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Investment securities                                 |    | 21                                                                                                                                | 2                                                                                                                                | 205                                                                                                           | 18                                                                                                           |
| Stocks of subsidiaries and affiliates                 |    | 68,962                                                                                                                            | 6,221                                                                                                                            | 89,062                                                                                                        | 8,034                                                                                                        |
| Investments in capital of subsidiaries and affiliates |    | -                                                                                                                                 | -                                                                                                                                | 188                                                                                                           | 17                                                                                                           |
| Other                                                 | ※2 | 7,880                                                                                                                             | 711                                                                                                                              | -                                                                                                             | -                                                                                                            |
| <b>Total investments and other assets</b>             |    | <b>76,863</b>                                                                                                                     | <b>6,934</b>                                                                                                                     | <b>89,455</b>                                                                                                 | <b>8,070</b>                                                                                                 |
| <b>Total non-current assets</b>                       |    | <b>83,956</b>                                                                                                                     | <b>7,574</b>                                                                                                                     | <b>111,373</b>                                                                                                | <b>10,047</b>                                                                                                |
| <b>Deferred assets</b>                                |    |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Bond issuance costs                                   |    | 151                                                                                                                               | 14                                                                                                                               | 1,140                                                                                                         | 103                                                                                                          |
| <b>Total deferred assets</b>                          |    | <b>151</b>                                                                                                                        | <b>14</b>                                                                                                                        | <b>1,140</b>                                                                                                  | <b>103</b>                                                                                                   |
| <b>Total assets</b>                                   |    | <b>139,205</b>                                                                                                                    | <b>12,558</b>                                                                                                                    | <b>216,113</b>                                                                                                | <b>19,496</b>                                                                                                |

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.

Note: 08 exchange rate for US\$ to JPY was 103.57

|                                                           |      | 3rd quarter Consolidated<br>fiscal period<br>- current year<br>(As of September 30, 2009)<br>(Unit: Thousands of<br>U.S. Dollars) | 3rd quarter Consolidated<br>fiscal period<br>- current year<br>(As of September 30, 2009)<br>(Unit: Millions of<br>Japanese Yen) | Consolidated fiscal year<br>- prior year<br>(As of December 31, 2008)<br>(Unit: Thousands of<br>U.S. Dollars) | Consolidated fiscal year<br>- prior year<br>(As of December 31, 2008)<br>(Unit: Millions of<br>Japanese Yen) |
|-----------------------------------------------------------|------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Liabilities</b>                                        |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| <b>Current liabilities</b>                                |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Accounts payable-trade                                    |      | 1,819                                                                                                                             | 164                                                                                                                              | 5,804                                                                                                         | 524                                                                                                          |
| Current portion of bond                                   |      | -                                                                                                                                 | -                                                                                                                                | 41,474                                                                                                        | 3,741                                                                                                        |
| Short-term loans payable                                  | ※1,3 | 22,475                                                                                                                            | 2,027                                                                                                                            | 16,208                                                                                                        | 1,462                                                                                                        |
| Income taxes payable                                      |      | 4,210                                                                                                                             | 380                                                                                                                              | 2,372                                                                                                         | 214                                                                                                          |
| Accounts payable-other                                    |      | 1,012                                                                                                                             | 91                                                                                                                               | 1,971                                                                                                         | 178                                                                                                          |
| Accrued expenses                                          |      | 6,983                                                                                                                             | 630                                                                                                                              | 15,313                                                                                                        | 1,381                                                                                                        |
| Unearned revenue                                          |      | 1,370                                                                                                                             | 124                                                                                                                              | 1,685                                                                                                         | 152                                                                                                          |
| Notes payable-non-operating                               |      | 57                                                                                                                                | 5                                                                                                                                | 44                                                                                                            | 4                                                                                                            |
| Lease obligations                                         | ※1   | 6                                                                                                                                 | 1                                                                                                                                | 9                                                                                                             | 1                                                                                                            |
| Other                                                     |      | 332                                                                                                                               | 30                                                                                                                               | 452                                                                                                           | 41                                                                                                           |
| <b>Total current liabilities</b>                          |      | <b>38,265</b>                                                                                                                     | <b>3,452</b>                                                                                                                     | <b>85,333</b>                                                                                                 | <b>7,698</b>                                                                                                 |
| <b>Non-current liabilities</b>                            |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Bonds payable                                             |      | 9,170                                                                                                                             | 827                                                                                                                              | 9,508                                                                                                         | 858                                                                                                          |
| Lease obligations                                         | ※1   | 0                                                                                                                                 | 0                                                                                                                                | 4                                                                                                             | 0                                                                                                            |
| Long-term accounts payable-other                          |      | 400                                                                                                                               | 36                                                                                                                               | 400                                                                                                           | 36                                                                                                           |
| Deferred tax liabilities                                  |      | 156                                                                                                                               | 14                                                                                                                               | 202                                                                                                           | 18                                                                                                           |
| Other                                                     |      | 767                                                                                                                               | 69                                                                                                                               | 1,074                                                                                                         | 97                                                                                                           |
| <b>Total non-current liabilities</b>                      |      | <b>10,493</b>                                                                                                                     | <b>947</b>                                                                                                                       | <b>11,188</b>                                                                                                 | <b>1,009</b>                                                                                                 |
| <b>Total liabilities</b>                                  |      | <b>48,758</b>                                                                                                                     | <b>4,398</b>                                                                                                                     | <b>96,521</b>                                                                                                 | <b>8,707</b>                                                                                                 |
| <b>Net Assets</b>                                         |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| <b>Shareholders' equity</b>                               |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Capital stock                                             |      | 3,882                                                                                                                             | 350                                                                                                                              | 3,810                                                                                                         | 344                                                                                                          |
| Capital surplus                                           |      | 403,856                                                                                                                           | 36,432                                                                                                                           | 401,693                                                                                                       | 36,237                                                                                                       |
| Retained earnings                                         |      | △ 298,948                                                                                                                         | △ 26,968                                                                                                                         | △ 269,549                                                                                                     | △ 24,316                                                                                                     |
| <b>Total shareholders' equity</b>                         |      | <b>108,789</b>                                                                                                                    | <b>9,814</b>                                                                                                                     | <b>135,955</b>                                                                                                | <b>12,264</b>                                                                                                |
| <b>Valuation and translation adjustments</b>              |      |                                                                                                                                   |                                                                                                                                  |                                                                                                               |                                                                                                              |
| Valuation differences on<br>available-for-sale securities |      | -                                                                                                                                 | -                                                                                                                                | 40                                                                                                            | 4                                                                                                            |
| Foreign currency translation adjustments                  | ※4   | △ 24,880                                                                                                                          | △ 2,244                                                                                                                          | △ 24,320                                                                                                      | △ 2,194                                                                                                      |
| <b>Total valuation and translation<br/>  adjustments</b>  |      | <b>△ 24,880</b>                                                                                                                   | <b>△ 2,244</b>                                                                                                                   | <b>△ 24,280</b>                                                                                               | <b>△ 2,190</b>                                                                                               |
| Subscription rights to shares                             |      | 1,088                                                                                                                             | 98                                                                                                                               | 1,797                                                                                                         | 162                                                                                                          |
| Minority interests                                        |      | 5,450                                                                                                                             | 492                                                                                                                              | 6,120                                                                                                         | 552                                                                                                          |
| <b>Total net assets</b>                                   |      | <b>90,447</b>                                                                                                                     | <b>8,159</b>                                                                                                                     | <b>119,592</b>                                                                                                | <b>10,788</b>                                                                                                |
| <b>Total liabilities and net assets</b>                   |      | <b>139,205</b>                                                                                                                    | <b>12,558</b>                                                                                                                    | <b>216,113</b>                                                                                                | <b>19,496</b>                                                                                                |

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.

Note: 08 exchange rate for US\$ to JPY was 103.57

② Quarterly consolidated income statements

Third quarter consolidated income statements (For the nine months ended September 30, 2009)

|                                                        |   | 3rd quarter<br>Consolidated fiscal period - current year<br>(From January 1, 2009<br>to September 30, 2009)<br>(Unit: Thousands of U.S. Dollars) | 3rd quarter<br>Consolidated fiscal period - current year<br>(From January 1, 2009<br>to September 30, 2009)<br>(Unit: Millions of Japanese Yen) |
|--------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Net sales                                              |   | 26,111                                                                                                                                           | 2,356                                                                                                                                           |
| Cost of sales                                          |   | 8,777                                                                                                                                            | 792                                                                                                                                             |
| Gross profit                                           |   | 17,334                                                                                                                                           | 1,564                                                                                                                                           |
| Selling, general and administrative expenses           |   |                                                                                                                                                  |                                                                                                                                                 |
| Directors' compensations                               |   | 1,165                                                                                                                                            | 105                                                                                                                                             |
| Salaries and allowances                                |   | 6,685                                                                                                                                            | 603                                                                                                                                             |
| Advertising expenses                                   |   | 93                                                                                                                                               | 8                                                                                                                                               |
| Depreciation                                           |   | 673                                                                                                                                              | 61                                                                                                                                              |
| Amortization of goodwill                               |   | 278                                                                                                                                              | 25                                                                                                                                              |
| Others                                                 |   | 10,645                                                                                                                                           | 960                                                                                                                                             |
| Total selling, general and administrative              |   | 19,539                                                                                                                                           | 1,763                                                                                                                                           |
| Operating loss (△)                                     |   | △ 2,205                                                                                                                                          | △ 199                                                                                                                                           |
| Non-operating income                                   |   |                                                                                                                                                  |                                                                                                                                                 |
| Interest and dividend income                           |   | 931                                                                                                                                              | 84                                                                                                                                              |
| Commission fee                                         |   | 1,437                                                                                                                                            | 130                                                                                                                                             |
| Others                                                 |   | 593                                                                                                                                              | 54                                                                                                                                              |
| Total non-operating income                             |   | 2,962                                                                                                                                            | 267                                                                                                                                             |
| Non-operating expenses                                 |   |                                                                                                                                                  |                                                                                                                                                 |
| Interest expenses                                      |   | 3,431                                                                                                                                            | 310                                                                                                                                             |
| Foreign exchange loss                                  |   | 78                                                                                                                                               | 7                                                                                                                                               |
| Equity in loss of affiliates                           |   | 14,341                                                                                                                                           | 1,294                                                                                                                                           |
| Total non-operating expenses                           |   | 17,850                                                                                                                                           | 1,610                                                                                                                                           |
| Ordinary loss (△)                                      |   | △ 17,094                                                                                                                                         | △ 1,542                                                                                                                                         |
| Extraordinary gains                                    |   |                                                                                                                                                  |                                                                                                                                                 |
| Gain on sales of stocks of subsidiaries and affiliates |   | 1,042                                                                                                                                            | 94                                                                                                                                              |
| Total extraordinary gains                              |   | 1,042                                                                                                                                            | 94                                                                                                                                              |
| Extraordinary losses                                   |   |                                                                                                                                                  |                                                                                                                                                 |
| Loss on change in equity                               |   | 5,368                                                                                                                                            | 484                                                                                                                                             |
| Loss on sales of stocks of subsidiaries and affiliates |   | 35                                                                                                                                               | 3                                                                                                                                               |
| Loss on sales and retirement of noncurrent assets      | ※ | 92                                                                                                                                               | 8                                                                                                                                               |
| Others                                                 |   | 438                                                                                                                                              | 40                                                                                                                                              |
| Total extraordinary losses                             |   | 5,933                                                                                                                                            | 535                                                                                                                                             |
| Loss before income taxes and minority interests (△)    |   | △ 21,985                                                                                                                                         | △ 1,983                                                                                                                                         |
| Income taxes (current)                                 |   | 2,660                                                                                                                                            | 240                                                                                                                                             |
| Income taxes (deferred)                                |   | △ 35                                                                                                                                             | △ 3                                                                                                                                             |
| Total income tax                                       |   | 2,626                                                                                                                                            | 237                                                                                                                                             |
| Minority interests in income                           |   | 4,789                                                                                                                                            | 432                                                                                                                                             |
| Net loss for the period (△)                            |   | △ 29,399                                                                                                                                         | △ 2,652                                                                                                                                         |

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Note: 08 exchange rate for US\$ to JPY was 103.57

Third quarter consolidated income statements (For the three months ended September 30, 2009)

|                                                     | 3rd quarter<br>Consolidated fiscal period - current year<br>(From July 1, 2009<br>to September 30, 2009)<br>(Unit: Thousands of U.S. Dollars) | 3rd quarter<br>Consolidated fiscal period - current year<br>(From July 1, 2009<br>to September 30, 2009)<br>(Unit: Millions of Japanese Yen) |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Net sales                                           | 8,556                                                                                                                                         | 772                                                                                                                                          |
| Cost of sales                                       | 2,392                                                                                                                                         | 216                                                                                                                                          |
| Gross profit                                        | 6,164                                                                                                                                         | 556                                                                                                                                          |
| Selling, general and administrative expenses        |                                                                                                                                               |                                                                                                                                              |
| Directors' compensations                            | 520                                                                                                                                           | 47                                                                                                                                           |
| Salaries and allowances                             | 1,756                                                                                                                                         | 158                                                                                                                                          |
| Advertising expenses                                | 37                                                                                                                                            | 3                                                                                                                                            |
| Depreciation                                        | 188                                                                                                                                           | 17                                                                                                                                           |
| Amortization of goodwill                            | 72                                                                                                                                            | 6                                                                                                                                            |
| Others                                              | 3,913                                                                                                                                         | 353                                                                                                                                          |
| Total selling, general and administrative           | 6,485                                                                                                                                         | 585                                                                                                                                          |
| Operating loss (△)                                  | △ 321                                                                                                                                         | △ 29                                                                                                                                         |
| Non-operating income                                |                                                                                                                                               |                                                                                                                                              |
| Interest and dividend income                        | 145                                                                                                                                           | 13                                                                                                                                           |
| Commission fee                                      | 273                                                                                                                                           | 25                                                                                                                                           |
| Others                                              | 76                                                                                                                                            | 7                                                                                                                                            |
| Total non-operating income                          | 494                                                                                                                                           | 45                                                                                                                                           |
| Non-operating expenses                              |                                                                                                                                               |                                                                                                                                              |
| Interest expenses                                   | 566                                                                                                                                           | 51                                                                                                                                           |
| Foreign exchange loss                               | 45                                                                                                                                            | 4                                                                                                                                            |
| Equity in loss of affiliates                        | 4,603                                                                                                                                         | 415                                                                                                                                          |
| Total non-operating expenses                        | 5,214                                                                                                                                         | 470                                                                                                                                          |
| Ordinary loss (△)                                   | △ 5,041                                                                                                                                       | △ 455                                                                                                                                        |
| Extraordinary gains                                 |                                                                                                                                               |                                                                                                                                              |
| Gain on redemption of bonds                         | 48                                                                                                                                            | 4                                                                                                                                            |
| Total extraordinary gains                           | 48                                                                                                                                            | 4                                                                                                                                            |
| Extraordinary losses                                |                                                                                                                                               |                                                                                                                                              |
| Loss on change in equity                            | 2,798                                                                                                                                         | 252                                                                                                                                          |
| Total extraordinary losses                          | 2,798                                                                                                                                         | 252                                                                                                                                          |
| Loss before income taxes and minority interests (△) | △ 7,790                                                                                                                                       | △ 703                                                                                                                                        |
| Income taxes (current)                              | 1,409                                                                                                                                         | 127                                                                                                                                          |
| Income taxes (deferred)                             | △ 14                                                                                                                                          | △ 1                                                                                                                                          |
| Total income tax                                    | 1,395                                                                                                                                         | 126                                                                                                                                          |
| Minority interests in income                        | 1,707                                                                                                                                         | 154                                                                                                                                          |
| Net loss for the period (△)                         | △ 10,892                                                                                                                                      | △ 983                                                                                                                                        |

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Note: 08 exchange rate for US\$ to JPY was 103.57

③ Quarterly consolidated cashflow statements

|                                                                                                     |   | 3rd quarter<br>Consolidated fiscal period<br>- current year<br>(From January 1, 2009<br>to September 30, 2009)<br>(Unit: Thousands of US dollars) | 3rd quarter<br>Consolidated fiscal period<br>- current year<br>(From January 1, 2009<br>to September 30, 2009)<br>(Unit: Millions of Japanese Yen) |
|-----------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Net cash provided by (used in) operating activities                                                 |   |                                                                                                                                                   |                                                                                                                                                    |
| Loss before income taxes and minority interests (△)                                                 |   | △ 21,985                                                                                                                                          | △ 1,983                                                                                                                                            |
| Depreciation                                                                                        |   | 755                                                                                                                                               | 68                                                                                                                                                 |
| Amortization of goodwill                                                                            |   | 525                                                                                                                                               | 47                                                                                                                                                 |
| Interest and dividends income                                                                       |   | △ 931                                                                                                                                             | △ 84                                                                                                                                               |
| Interest expenses                                                                                   |   | 3,431                                                                                                                                             | 310                                                                                                                                                |
| Gain (loss) on change in equity<br>(△ : gain)                                                       |   | 5,368                                                                                                                                             | 484                                                                                                                                                |
| Equity in gain (loss) of affiliates (△ : gain)                                                      |   | 14,341                                                                                                                                            | 1,294                                                                                                                                              |
| Gain (loss) on sales and retirement of noncurrent assets<br>(△ : gain)                              |   | 92                                                                                                                                                | 8                                                                                                                                                  |
| Gain (loss) on sales of stocks of subsidiaries and affiliates<br>(△ : gain)                         |   | △ 1,006                                                                                                                                           | △ 91                                                                                                                                               |
| Increase (decrease) in accounts receivable<br>(△ : increase)                                        |   | △ 4,340                                                                                                                                           | △ 391                                                                                                                                              |
| Increase (decrease) in accounts payable<br>(△ : decrease)                                           |   | △ 192                                                                                                                                             | △ 17                                                                                                                                               |
| Other, net                                                                                          |   | △ 790                                                                                                                                             | △ 71                                                                                                                                               |
| Subtotal                                                                                            |   | △ 4,731                                                                                                                                           | △ 427                                                                                                                                              |
| Income taxes paid                                                                                   |   | △ 322                                                                                                                                             | △ 29                                                                                                                                               |
| Net cash provided by (used in) operating activities<br>(△ : used in)                                |   | △ 5,053                                                                                                                                           | △ 456                                                                                                                                              |
| Net cash provided by (used in) investment activities                                                |   |                                                                                                                                                   |                                                                                                                                                    |
| Interest and dividends income received                                                              |   | 931                                                                                                                                               | 84                                                                                                                                                 |
| Purchase of property, plant and equipment                                                           |   | △ 188                                                                                                                                             | △ 17                                                                                                                                               |
| Proceeds from sales of property, plant and equipment                                                |   | 97                                                                                                                                                | 9                                                                                                                                                  |
| Payments of short-term loans receivable                                                             |   | △ 6,576                                                                                                                                           | △ 593                                                                                                                                              |
| Proceeds from sales of investments in subsidiaries resulting in<br>change in scope of consolidation |   | 7,740                                                                                                                                             | 698                                                                                                                                                |
| Net cash provided by (used in) investing activities<br>(△ : used in)                                |   | 2,004                                                                                                                                             | 181                                                                                                                                                |
| Net cash provided by (used in) financing activities                                                 |   |                                                                                                                                                   |                                                                                                                                                    |
| Interest expenses paid                                                                              |   | △ 2,407                                                                                                                                           | △ 217                                                                                                                                              |
| Increase (decrease) in deposit pledged<br>(△ : increase)                                            |   | △ 218                                                                                                                                             | △ 20                                                                                                                                               |
| Redemption of bonds                                                                                 |   | △ 42,054                                                                                                                                          | △ 3,794                                                                                                                                            |
| Net increase (decrease) in short-term loans payable<br>(△ : decrease)                               |   | 6,258                                                                                                                                             | 565                                                                                                                                                |
| Cash dividends paid to minority shareholders                                                        |   | △ 2,500                                                                                                                                           | △ 226                                                                                                                                              |
| Net cash provided by (used in) financing activities<br>(△ : used in)                                |   | △ 40,921                                                                                                                                          | △ 3,691                                                                                                                                            |
| Effect of exchange rate change on cash and cash equivalents                                         |   | 28                                                                                                                                                | 3                                                                                                                                                  |
| Net increase (decrease) in cash and cash equivalents<br>(△ : decrease)                              |   | △ 43,941                                                                                                                                          | △ 3,964                                                                                                                                            |
| Cash and cash equivalents at beginning of period                                                    |   | 57,624                                                                                                                                            | 5,198                                                                                                                                              |
| Cash and cash equivalents at end of period                                                          | ※ | 13,683                                                                                                                                            | 1,234                                                                                                                                              |

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Note: 08 exchange rate for US\$ to JPY was 103.57

Substantial doubt about its ability to continue as a going concern

3rd quarter - consolidated fiscal period - current year (From July 1, 2009 to September 30, 2009)

Not applicable.

#### Change in basis of presenting quarterly consolidated financial statements

| 3rd quarter - Consolidated fiscal period - current year<br>(From January 1, 2009 to September 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.                                                                                                                    |
| In the 3rd quarter consolidated fiscal period, Fortune China Public Relations (Beijing) Limited is consolidated because of newly setup.                                                                                                                                     |
| (2) The number of consolidated subsidiaries after the change: 26                                                                                                                                                                                                            |
| 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

| 3rd quarter - Consolidated fiscal period - current year<br>(From January 1, 2009 to September 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=90.21, from the Tokyo Foreign Exchange Market as of September 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))

| 3rd quarter - Consolidated fiscal period<br>- current year<br>(As of September 30, 2009)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Consolidated fiscal year<br>- prior year<br>(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;">18,222<br/>(1,644)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,177<br/>(1,459)</p>                                                                                                                                                                                                                                                                                                                                | <p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,004<br/>(1,624)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">15,969<br/>(1,441)</p> <p>Lease obligations</p> <p style="text-align: right;">9<br/>(1)</p> <p>Long term lease obligations</p> <p style="text-align: right;">4<br/>(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;">251<br/>(23)</p> <p>Amounts deducted from investment and other assets:</p> <p style="text-align: right;">7,417<br/>(669)</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<br/>(684)</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 September 30, 2009 are as follows:</p> <p>Total amount of the line of credit</p> <p style="text-align: right;">30,684<br/>(2,768)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,456<br/>(1,484)</p> <hr/> <p>Remaining amount of the line of credit</p> <p style="text-align: right;">14,228<br/>(1,284)</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<br/>(2,734)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,071<br/>(1,450)</p> <hr/> <p>Remaining amount of the lines of credit</p> <p style="text-align: right;">14,237<br/>(1,284)</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>※1-4 notes correspond with ※1-4 as denoted in the consolidated balance sheet.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Same as on the left.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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Note: 08 exchange rate for US\$ to JPY was 103.57

(Quarterly consolidated income statements)

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

| 3rd quarter - Consolidated fiscal period<br>- current year<br>(From January 1, 2009 to September 30, 2009) |     |
|------------------------------------------------------------------------------------------------------------|-----|
| ※ Components of loss on sales and retirement of noncurrent assets are follows:                             |     |
| Buildings and structures                                                                                   | 53  |
|                                                                                                            | (5) |
| Tools, furniture and fixtures                                                                              | 39  |
|                                                                                                            | (3) |

(Consolidated cashflow statements)

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

| 3rd quarter - Consolidated fiscal period<br>- current year<br>(From January 1, 2009 to September 30, 2009)                                                             |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| ※ Reconciliation between ending balance of cash and cash equivalents in the 3rd quarter consolidated cashflow statement and balance in the consolidated balance sheet: |          |
| Cash and deposits                                                                                                                                                      | 31,905   |
|                                                                                                                                                                        | (2,878)  |
| Deposit pledged as collateral                                                                                                                                          | △18,222  |
|                                                                                                                                                                        | (△1,644) |
| Cash and cash equivalents                                                                                                                                              | 13,683   |
|                                                                                                                                                                        | (1,234)  |

(Shareholders' equity)

3rd quarter - Consolidated fiscal period - current year (As of September 30, 2009 and from January 1, 2009 to September 30, 2009)

1. Number and class of issued shares  
Ordinary share 1,513,944 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 1,088 thousand (JPY 98 million).
4. Dividend  
Not applicable.
5. Material change in Shareholders' equity  
The Company issued 4,054 shares due to the share options exercised in the 1st quarter. As a result, Capital stock and Capital surplus are increased in USD 10 thousand (JPY 1 million) and USD 1,069 thousand (JPY 96 million) respectively.

The Company granted its shares and issued 23,838 shares to the directors, former directors and independent directors of the Company on July 3, 2009 based on the share based payment agreements. As a result, Capital stock and Capital surplus are increased in USD 61 thousand (JPY 6 million) and USD 1,093 thousand (JPY 99 million) respectively in the 3rd quarter.

Consequently, Capital stock is USD 3,882 thousand (JPY 350 million) and Capital surplus is USD 403,856 thousand (JPY 36,432 million) at September 30, 2009.

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Note: 08 exchange rate for US\$ to JPY was 103.57

(Segment information)

**【Business segmental information】**

3rd quarter - Consolidated fiscal period - current year (From July 1, 2009 to September 30, 2009 and From January 1, 2009 to September 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 since January 1, 2009. 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】**

3rd quarter - Consolidated fiscal period - current year (From July 1, 2009 to September 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          | 79    | 7,576 | 901           | -       | 8,556 | -                         | 8,556        |
|                               | (7)   | (683) | (81)          | (-)     | (772) | (-)                       | (772)        |
| (2) Inter segment or transfer | -     | 927   | -             | 78      | 1,005 | △ 1,005                   | -            |
|                               | (-)   | (84)  | (-)           | (7)     | (91)  | (△91)                     | (-)          |
| Total                         | 79    | 8,502 | 901           | 78      | 9,561 | △ 1,005                   | 8,556        |
|                               | (7)   | (767) | (81)          | (7)     | (862) | (△91)                     | (772)        |
| Operating income / loss       | △ 39  | 3,876 | △ 980         | △ 3,187 | △ 330 | 9                         | △ 321        |
| (△)                           | (△4)  | (350) | (△88)         | (△288)  | (△30) | (1)                       | (△29)        |

3rd quarter - Consolidated fiscal period - current year (From January 1, 2009 to September 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          | 326   | 21,604  | 4,155         | 26       | 26,111  | -                         | 26,111       |
|                               | (29)  | (1,949) | (375)         | (2)      | (2,356) | (-)                       | (2,356)      |
| (2) Inter segment or transfer | -     | 5,520   | 47            | 788      | 6,354   | △ 6,354                   | -            |
|                               | (-)   | (498)   | (4)           | (71)     | (573)   | (△573)                    | (-)          |
| Total                         | 326   | 27,124  | 4,202         | 813      | 32,466  | △ 6,354                   | 26,111       |
|                               | (29)  | (2,447) | (379)         | (73)     | (2,929) | (△573)                    | (2,356)      |
| Operating income / loss       | △ 86  | 10,630  | △ 2,559       | △ 10,240 | △ 2,255 | 50                        | △ 2,205      |
| (△)                           | (△8)  | (959)   | (△231)        | (△924)   | (△203)  | (5)                       | (△199)       |

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..... British West Indies and other locations.

**【Overseas sales】**

3rd quarter - Consolidated fiscal period - current year (From July 1, 2009 to September 30, 2009)

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

|                                                                      | Asia           | North America | Europe         | Others   | Total          |
|----------------------------------------------------------------------|----------------|---------------|----------------|----------|----------------|
| I Overseas sales                                                     | 4,605<br>(415) | 356<br>(32)   | 3,409<br>(308) | -<br>(-) | 8,371<br>(755) |
| II Consolidated sales                                                |                |               |                |          | 8,556<br>(772) |
| III Ratio of overseas sales which accounts for consolidated sale (%) | 53.8%          | 4.2%          | 39.8%          | -%       | 97.8%          |

3rd quarter - Consolidated fiscal period - current year (From January 1, 2009 to September 30, 2009)

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

|                                                                      | Asia              | North America  | Europe         | Others    | Total             |
|----------------------------------------------------------------------|-------------------|----------------|----------------|-----------|-------------------|
| I Overseas sales                                                     | 14,178<br>(1,279) | 1,953<br>(176) | 9,291<br>(838) | 10<br>(1) | 25,431<br>(2,294) |
| II Consolidated sales                                                |                   |                |                |           | 26,111<br>(2,356) |
| III Ratio of overseas sales which accounts for consolidated sale (%) | 54.3%             | 7.5%           | 35.6%          | 0.0%      | 97.4%             |

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 America .....U.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 option)

3rd quarter - consolidated fiscal period - current year (From July 1, 2009 to September 30, 2009)

Expenses recognized

Selling, general and administrative expenses – Directors' emolument USD 150 thousand (JPY 14 million)

Selling, general and administrative expenses – Other USD 451 thousand (JPY 41 million)

## (Per share information)

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

| 3rd quarter - Consolidated fiscal period<br>- current year<br>(As of September 30, 2009) | Consolidated fiscal year<br>- prior year<br>(As of December 31, 2008) |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Net assets per Share<br>55.42<br>(4,999.44)                                              | Net assets per Share<br>75.15<br>(6,779.28)                           |

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

| 3rd quarter - Consolidated fiscal period<br>- current year<br>(From January 1, 2009 to September 30, 2009) | 3rd quarter - Consolidated fiscal period<br>- current year<br>(From July 1, 2009 to September 30, 2009) |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Net loss per share<br>19.63<br>(1,771.07)                                                                  | Net loss per share<br>7.20<br>(649.24)                                                                  |
| 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                                                                                                                                                                                                                | 3rd quarter - Consolidated fiscal period<br>- current year<br>(From January 1, 2009<br>to September 30, 2009)                                                                                                                                                                                             | 3rd quarter - Consolidated fiscal period<br>- current year<br>(From July 1, 2009<br>to September 30, 2009)                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Net loss for the period                                                                                                                                                                                             | 29,399<br>(2,652)                                                                                                                                                                                                                                                                                         | 10,892<br>(983)                                                                                                                                                                                                                                                                                           |
| Net income NOT<br>attributed to ordinary<br>shareholders                                                                                                                                                            | -<br>(-)                                                                                                                                                                                                                                                                                                  | -<br>(-)                                                                                                                                                                                                                                                                                                  |
| Net loss attributed to<br>ordinary shares                                                                                                                                                                           | 29,399<br>(2,652)                                                                                                                                                                                                                                                                                         | 10,892<br>(983)                                                                                                                                                                                                                                                                                           |
| Average number of<br>ordinary shares during the<br>period (shares)                                                                                                                                                  | 1,497,458.59                                                                                                                                                                                                                                                                                              | 1,513,419.88                                                                                                                                                                                                                                                                                              |
| Overview of potential shares<br>without dilutive effect<br>excluded from the formula of<br>diluted income per share for<br>the period and changed<br>significantly from<br>consolidated fiscal year –<br>prior year | Share of subscription rights (Number<br>of shares to be issued upon exercise:<br>156,830 shares) issued by the<br>Company.<br>The overview is stated in V.<br>CONDITION OF THE<br>REPORTING COMPANY, 1.<br>Condition of shares, etc, (2) Total<br>number of shares issued and changes<br>in capital stock | Share of subscription rights (Number<br>of shares to be issued upon exercise:<br>156,830 shares) issued by the<br>Company.<br>The overview is stated in V.<br>CONDITION OF THE<br>REPORTING COMPANY, 1.<br>Condition of shares, etc, (2) Total<br>number of shares issued and changes<br>in capital stock |

## (Significant subsequent events)

Not applicable.

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Note: 08 exchange rate for US\$ to JPY was 103.57

## 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.