

QUARTERLY REPORT

Xinhua Finance Limited

Type of Document: QUARTERLY REPORT

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

To: The Director of Kanto Local Finance Bureau

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Quarterly Fiscal Year: The First Quarter of the Seventh Fiscal Year of 2010
(From January 1, 2010 to March 31, 2010)

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Chief Executive Officer

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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.
 - **“HK\$”** refers to the Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region.
 - **“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.
 - **“Japanese GAAP”** refers to generally accepted accounting principles in Japan.
 - **“US\$”** or **“U.S. dollars”** refers to United States Dollar, the lawful currency of United States of America.
 - **“We”** or the **“Group”** refers to the Company and its consolidated subsidiaries.
 - **“JP¥”** 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 = JP¥93.04 as of March 31, 2010) from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen, in accordance with Article 88 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements. 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 first consolidated quarter of the fiscal year 2010 (this "Quarter").

II. OUTLINE OF THE GROUP

1. Trends in Key Financial Data

Consolidated key financial data

Term		The 1 st consolidated quarter of the 7 th fiscal year	The 1 st consolidated quarter of the 6 th fiscal year	The 6 th consolidated fiscal year
Fiscal period		From January 1, 2010 to March 31, 2010	From January 1, 2009 to March 31, 2009	From January 1, 2009 to December 31, 2009
Turnover	US\$'000 JP¥'m	3,104 (289)	9,095 (846)	32,717 (3,044)
Ordinary income / loss (△)	US\$'000 JP¥'m	△941 (△88)	△7,306 (△680)	△85,360 (△7,942)
Net income / loss (△)	US\$'000 JP¥'m	△1,311 (△122)	△11,511 (△1,071)	△113,454 (△10,556)
Net assets	US\$'000 JP¥'m	284 (26)	107,450 (9,997)	1,742 (162)
Total assets	US\$'000 JP¥'m	37,701 (3,508)	158,393 (14,737)	39,434 (3,669)
Net assets per share	US\$ JP¥	△1.06 (△98.62)	68.28 (6,352.77)	△0.05 (△4.65)
Net income / loss (△) per share	US\$ JP¥	△0.87 (△80.54)	△7.73 (△719.38)	△75.56 (△7,030.10)
Diluted EPS	US\$ JP¥	- (-)	- (-)	- (-)
Capital adequacy ratio	(%)	△4.3	64.2	△0.2
Cashflow provided by (△used in) operating activities	US\$'000 JP¥'m	△2,335 (△217)	△5,611 (△522)	△4,834 (△450)
Cashflow provided by (△used in) investing activities	US\$'000 JP¥'m	2,501 (233)	1,148 (107)	9,984 (929)
Cashflow provided by (△used in) financing activities	US\$'000 JP¥'m	△487 (△45)	△34,361 (△3,197)	△47,308 (△4,402)
Cash and cash equivalents, End of the year	US\$'000 JP¥'m	4,712 (438)	19,238 (1,790)	5,428 (505)
Number of employees		316	321	303
EBITDA	US\$'000 JP¥'m	△2,773 (△258)	△783 (△73)	△2,846 (△265)

Notes :

- Consumption tax is not included in turnover.
- 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.
- The consolidated financial statements of the Group are stated in U.S. dollars. In accordance with Article 88 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements, the amounts in Japanese yen are

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calculated by the foreign currency exchange rate (middle rate), being US\$1.00=JP¥93.04, from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of March 31, 2010. 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 and amortization of goodwill. 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 of goodwill, 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 Japanese GAAP. Additionally, financial statements in accordance with 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, embedded derivatives, share issuance costs and listing related costs.

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 March 31, 2010

	Headcount
TOTAL	316

(2) The Company:

As of March 31, 2010

Number of Employees 1

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

The Group incurred operating loss of US\$4,173 thousand (JP¥388 million) and net loss of US\$113,454 thousand (JP¥10,556 million) for the consolidated fiscal year ended December 31, 2009. Net cash used in operating activities for the consolidated fiscal year ended December 31, 2009 was US\$4,834 thousand (JP¥ 450 million). The Group also incurred operating loss of US\$2,963 thousand (JP¥276 million) and net loss of US\$1,311 thousand (JP¥122 million) for the first quarter consolidated fiscal period ended March 31, 2010. Net cash used in operating activities for the first quarter consolidated fiscal period ended March 31, 2010 was US\$2,335 thousand (JP¥217 million). In addition, bonds payable (Principal) of US\$3,800 thousand (JP¥354 million) become due within one year after the end of this first quarter consolidated fiscal period.

This is primarily due to worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business.

These conditions raise substantial doubt about the Group's ability to continue as a going concern.

The Group is continuing the repositioning of its business and moving ahead. At the same time the management team is taking a number of actions. Going forward, the Group will be seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and making investments in the new ventures to diversify the business portfolio. In parallel, the Group will further cut overall corporate costs to improve profitability of the existing business and cut finance cost by the redemption of bond for the future sustainable growth. In addition, the Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities.

However, as the Group's ability to continue as a going concern is heavily pending on the success of divestment of certain assets to raise funds, and the growth of its existing business and new ventures, there exist material uncertainties related to the substantial doubt about the Group's ability to continue as a going concern. The accompanying quarterly consolidated financial statements have been prepared assuming that the Group will continue as going concern, and the effect of the material uncertainties is not reflected in the quarterly consolidated financial statements.

3. Material Contracts Relating to Business

There have been no material contract relating to business of the Company entered into by the Company during this Quarter.

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

In the Index service line, we continue to 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 March 2010, the AUM tracking Xinhua FTSE Index (“XFI”) indices or benchmarking against XFI products was US\$89 billion (JP¥8 trillion).

Our Solutions business line continues to provide comprehensive market data and research to institutions, funds, government units and individuals. We provide real time content to 115 top commodity brokers in China with approximately 80,000 terminals. Our financial terminals business provides another key medium for our financial information. We are currently focused on commodities and futures data and intend to expand into other key asset classes such as equities, fixed income and foreign exchange.

As well, through our Solutions business line we continue to expand our efforts into Financial Research, Consulting Services and Risk Analysis and Reporting. Our subsidiary, Beijing Orient Agribusiness Consultants Co., Ltd, provides in-depth consulting services and analysis on government policies, production, industrial chains and other industries impacted by Agriculture. We provide cash commodities pricing information via SMS and mobile applications to approximately 35,000 customers. Our Risk analysis and reporting division helps financial institutions to generate investment risk analysis reports for mainly stock markets and fund managers.

In 2010 while the Company continues its repositioning, it will leverage its presence in the fast growing China market. In light of the improving global financial markets and the rising influence of China, we expect to see more business opportunities locally. With its core competencies as a foundation, the Company seeks to expand into the areas of Fund Management, Private Equity and Financial Advisory to diversify its service line and its portfolio, and increase shareholder value. At the same time, through Special Purpose Funds, we also look to capture investment opportunities in the areas of high demand with great potential such as Education and Environmental Protection related opportunities in China.

Net Sales

Net Sales was US\$3,104 thousand (JP¥289 million) for the three months ended March 31, 2010, as compared to US\$9,095 thousand (JP¥846 million) for the three months ended March 31, 2009. Lower net sales in this Quarter are primarily due to the Company’s much reduced size as compared to the first consolidated quarter of the fiscal year 2009. This is the result of the deconsolidation of FTSE / Xinhua Index Limited (“FXI”) and sale of Market News International (“MNI”) in 2009.

Cost of sales

Cost of sales was US\$1,955 thousand (JP¥182 million) for the three months ended March 31, 2010, as compared to US\$3,396 thousand (JP¥316 million) for the three months ended March 31, 2009. Lower cost of sales in 2010 is primarily due to the Company’s much reduced size as compared to the first consolidated quarter of the fiscal year 2009. This is the result of the deconsolidation of FXI and sale of MNI in 2009.

Gross profit margin

Gross profit margin was 37.0% for the three months ended March 31, 2010 versus 62.7% for the three months ended March 31, 2009. The lower gross profit margin for this quarter compared to the first consolidated quarter of the fiscal year 2009 was mainly the result of the deconsolidation of FXI, as FXI has a higher gross profit margin.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US\$4,112 thousand (JP¥383 million) for the three months ended March 31, 2010, versus US\$6,903 thousand (JP¥642 million) for the three months ended March 31, 2009.

Lower selling, general and administrative expenses is primarily due to the Company’s much reduced size and cost-cutting effort as compared to the first consolidated quarter of the fiscal year 2009. Reducing the Company’s size is the result of the deconsolidation of FXI and sale of MNI in 2009.

Operating income

Operating loss was US\$2,963 thousand (JP¥276 million) for the three months ended March 31, 2010, versus operating loss of US\$1,204 thousand (JP¥112 million) for the three months ended March 31, 2009.

The higher operating loss this Quarter compared to the first consolidated quarter of the fiscal year 2009 is primarily due to the deconsolidation of FXI.

Ordinary income

Ordinary loss was US\$941 thousand (JP¥88 million) for the three months ended March 31, 2010, versus ordinary loss of US\$7,306 thousand (JP¥680 million) for the three months ended March 31, 2009.

The lower ordinary loss this Quarter compared to the first consolidated quarter of the fiscal year 2009 is primarily due to the discontinuance of sharing of Xinhua Sports & Entertainment Limited (“XSEL”) losses in 2010.

Net income for the period

Net loss was US\$1,311 thousand (JP¥122 million) for the three months ended March 31, 2010, versus net loss of US\$11,511 thousand (JP¥1,071 million) for the three months ended March 31, 2009.

The lower net loss this Quarter compared to the first consolidated quarter of the fiscal year 2009 is primarily due to the discontinuance of sharing of XSEL’s losses in 2010.

The net loss for this Quarter includes:

- 1) Operating loss of US\$2,963 thousand (JP¥276 million); and
- 2) Sharing of profits of FXI of US\$1,834 thousand (JP¥171 million); and
- 3) Impairment loss on property, plant and equipment of US\$ 1,035 thousand (JP¥96 million)

Total Assets, Net Assets and Liabilities Analysis

Total Assets

Total Assets as at March 31, 2010, was US\$37,701 thousand (JP¥3,508 million) compared to US\$39,434 thousand (JP¥3,669 million) as at December 31, 2009. Lower Total Assets as at March 31, 2010 compared to those as at December 31, 2009 is mainly due to the impairment loss of property, plant and equipment.

Total Net Assets

Total Net Assets as at March 31, 2010, was US\$284 thousand (JP¥26 million) compared to US\$1,742 thousand (JP¥162 million) as at December 31, 2009. Lower Net Assets as at March 31, 2010 compared to those as at December 31, 2009 is mainly due to the impairment loss of property, plant and equipment.

Total Liabilities

Total Liabilities as at March 31, 2010, was US\$37,417 thousand (JP¥3,481 million) compared to US\$37,692 thousand (JP¥3,507 million) as at December 31, 2009

Cashflow analysis

Operating activities

Net cash used in operating activities for the three months ended March 31, 2010 amounted to US\$2,335 thousand (JP¥ 217 million) as compared to US\$5,611 thousand (JP¥ 522 million) for the three months ended March 31, 2009. This decrease was primarily due to the Company’s much reduced size as compared to the first consolidated quarter of the fiscal year 2009. This is the result of the deconsolidation of FXI and sale of MNI in 2009.

Investing activities

Net cash provided by investing activities for the three months ended March 31, 2010 amounted to US\$2,501 thousand (JP¥233 million) as compared to US\$1,148 thousand (JP¥107 million) for the three months ended March 31, 2009. Net cash provided by investing activities in this Quarter was primarily due to interests and dividends income received of US\$1,514 thousand (JP¥141 million) and proceeds from sales of stocks of subsidiaries and affiliates of US\$1,000 thousand (JP¥93 million).

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2010 amounted to US\$487 thousand (JP¥ 45 million) as compared to US\$ 34,361 thousand (JP¥ 3,197 million) for the three months ended March 31, 2009. The cash outflow from financing activities in the first consolidated quarter of 2009 was mainly caused by the redemption of bonds of US\$ 38,943 thousand (JP¥ 3,623 million) which was not incurred in the current period. The cash used in financing activities in this Quarter is primarily due to interest expenses paid.

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\$4,712 thousand (JP¥438 million) as at the end of the quarter. The ending cash and bank balance was US\$22,934 thousand (JP¥2,134 million) as at the end of the quarter, shown on the balance sheet. After taking into account of deposits pledged as collateral of US\$18,222 thousand (JP¥1,695 million) the net cash and cash equivalents was US\$4,712 thousand (JP¥438 million).

(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.

(6) Material phenomena regarding its ability to continue as a going concern

The Group incurred operating loss of US\$ 4,173 thousand (JP¥ 388 million) and net loss of US\$ 113,454 thousand (JP¥ 10,556 million) for the consolidated fiscal year ended December 31, 2009. Net cash used in operating activities for the consolidated fiscal year ended December 31, 2009 was US\$ 4,834 thousand (JP¥ 450 million). The Group also incurred operating loss of US\$ 2,963 thousand (JP¥ 276 million) and net loss of US\$ 1,311 thousand (JP¥ 122 million) for the first quarter consolidated fiscal period ended March 31, 2010. Net cash used in operating activities for the first quarter consolidated fiscal period ended March 31, 2010 was US\$ 2,335 thousand (JP¥ 217 million). In addition, bonds payable (Principal) of US\$ 3,800 thousand (JP¥ 354 million) become due within one year after the end of this first quarter consolidated fiscal period.

This is primarily due to worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business.

These conditions raise substantial doubt about the Group's ability to continue as a going concern.

The Group is continuing the repositioning of its business and moving ahead. At the same time the management team is taking a number of actions. Going forward, the Group will be seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and making investments in the new ventures to diversify the business portfolio. In parallel, the Group will further cut overall corporate costs to improve profitability of the existing business and cut finance cost by the redemption of bond for the future sustainable growth. In addition, the Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities.

However, as the Group's ability to continue as a going concern is heavily pending on the success of divestment of certain assets to raise funds, and the growth of its existing business and new ventures, there exist material uncertainties related to the substantial doubt about the Group's ability to continue as a going concern. The

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accompanying quarterly consolidated financial statements have been prepared assuming that the Group will continue as going concern, and the effect of the material uncertainties is not reflected in the quarterly consolidated financial statements.

(7) Liabilities in excess of assets

Liabilities in excess of assets was US\$83 thousand (JP¥8 million) as at December 31, 2009 according to the Securities Listing Regulations of The Tokyo Stock Exchange (“the TSE regulations”). Liabilities in excess of assets were US\$1,609 thousand (JP¥150 million) as at March 31, 2010. The increase is primarily due to the impairment loss of property, plant and equipment of US\$1,035 thousand (JP¥96 million).

Mitigating factors:

- Reduce liabilities and associated finance cost.

The Group is seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and its associated financing cost.

- Improve profitability.

The Group will further streamline current operation and reduce overall corporate costs to improve profitability of the existing business. In addition, the Group will apply the proceeds from assets divestments towards investment in new ventures to diversify business portfolio. The Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities.

- No additional loss sharing from XSEL expected.

There will be no additional loss expected with regards to the equity loss of XSEL since all the amount invested in XSEL has been recognized as a loss by the end of the last consolidated fiscal year.

- Divest in assets.

As many of the Group's assets have already been fully impaired per GAAP requirement, we intend to divest in them and expect to have gain to recover the negative excess of liabilities.

IV. CONDITION OF FACILITIES

1. Relocation of major facilities

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

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 March 31, 2010)

(1) Total number of shares, etc.

(i) Total number of shares

Number of Authorized Shares:	2,500,000
Total Number of Shares Outstanding:	1,515,305.79
Number of Shares Unissued:	984,694.21

Note:

On August 31, 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 December 31, 2007, December 31, 2008 and December 31, 2009 respectively, and the rest of which, namely 16,247 shares, have been set aside for issuance from time to time by the CEO.

As of March 31, 2010, a total of 19,044 shares were issued and the number of unissued shares from the above 27,000 shares is 7,956 shares.

(ii) 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:	1,515,305.79 (as of March 31, 2010)
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\$ (JP¥)*
From January 1, 2010 to March 31, 2010	1,362	1,515,305.79	181,938	384,004,236 (35,727,754,117)

Notes:

- 1 "Total Capital" includes share capital and share premium.
- 2 No option was exercised in this Quarter.
- 3 The increase of the shares during this Quarter consists of (i) gratis issue of 637 shares of the above 27,000 shares approved on August 31, 2007 and (ii) gratis issue of 725 shares to the outside independent directors in compensation for the services rendered by them in 2008.

The following table sets forth certain information as of March 31, 2010 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	4,566	JP¥49,316	HK\$20
Options granted to an independent director pursuant to the Employee Stock Compensation Plan on 31 Jan 2006	1,000	JP¥71,844	HK\$20

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Options granted pursuant to the Employee Stock Compensation Plan for 2006	9,044	JP¥71,844	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan for 2009	151,163	JP¥1,703	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 Quarter on The Tokyo Stock Exchange.

Month	Share Price High (JP¥)	Share Price Low (JP¥)
January 2010	1,474	1,273
February 2010	1,301	1,013
March 2010	1,195	1,020

3. Directors and Officers

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

VI. FINANCIAL CONDITION

1. Basis of presenting quarterly consolidated financial statements

- (1) The quarterly consolidated financial statements of the Company were prepared in accordance with “Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements” (Cabinet Office Regulations the 64th, 2007, which is hereinafter referred to as “Quarterly Consolidated Financial Statements Rule”).

The quarterly consolidated financial statements of the Company for the period from January 1, 2009 to March 31, 2009 was prepared in accordance with the Quarterly Consolidated Financial Statements Rule before revision, and the quarterly consolidated financial statements of the Company for the period from January 1, 2010 to March 31, 2010 was prepared in accordance with the Quarterly Consolidated Financial Statements Rule after revision.

- (2) The third clause of Article 85 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 (middle rate), being US\$1 = JP¥93.04, from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen, in accordance with Article 88 of the Quarterly Financial Statements Rule. 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 has performed a quarterly review on the quarterly consolidated financial statements of the Company for the period from January 1, 2009 to March 31, 2009 and Deloitte Touche Tohmatsu LLC has performed a quarterly review on the quarterly consolidated financial statements of the Company for this Quarter, ended March 31, 2010 (from January 1, 2010 to March 31, 2010).

On 1 July, 2009, Deloitte Touche Tohmatsu, from which the Company had been receiving audit certification previously, became Deloitte Touche Tohmatsu LLC pursuant to the change in the category of auditing firms.

1. Quarterly Consolidated Financial Information

① Quarterly consolidated balance sheets

		1st quarter Consolidated fiscal period - current year (As of March 31, 2010) (Unit: Thousands of U.S. Dollars)	1st quarter Consolidated fiscal period - current year (As of March 31, 2010) (Unit: Millions of Japanese Yen)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Millions of Japanese Yen)
Assets					
Current assets					
Cash and deposits	※1	22,934	2,134	23,688	2,204
Accounts receivable-trade	※2	2,294	213	2,213	206
Accounts receivable-other		1,913	178	2,095	195
Other	※2	1,509	140	1,562	145
Total current assets		28,649	2,666	29,558	2,750
Non-current assets					
Property, plant and equipment					
Buildings and structures		388	36	986	92
Accumulated depreciation		△ 224	△ 21	△ 445	△ 41
Buildings and structures, net		165	15	540	50
Tools, furniture and fixtures		2,329	217	3,028	282
Accumulated depreciation		△ 2,133	△ 198	△ 2,030	△ 189
Tools, furniture and fixtures, net		196	18	998	93
Total property, plant and equipment		360	34	1,538	143
Intangible assets					
Right of trademark		275	26	300	28
Total intangible assets		275	26	300	28
Investments and other assets					
Investment securities		57	5	65	6
Investments in capital of subsidiaries and affiliates		8,245	767	7,840	729
Total investments and other assets	※2	8,301	772	7,906	736
Total non-current assets		8,937	831	9,744	907
Deferred assets					
Bond issuance costs		114	11	133	12
Total deferred assets		114	11	133	12
Total assets		37,701	3,508	39,434	3,669

		1st quarter Consolidated fiscal period - current year (As of March 31, 2010) (Unit: Thousands of U.S. Dollars)	1st quarter Consolidated fiscal period - current year (As of March 31, 2010) (Unit: Millions of Japanese Yen)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Millions of Japanese Yen)
Liabilities					
Current liabilities					
Accounts payable-trade		893	83	1,106	103
Current portion of bond		3,787	352	3,787	352
Short-term loans payable	※1,3	16,719	1,556	16,726	1,556
Income taxes payable		962	90	984	92
Accounts payable-other		1,313	122	1,401	130
Accrued expenses		6,826	635	6,664	620
Other		702	65	552	51
Total current liabilities		31,202	2,903	31,220	2,905
Non-current liabilities					
Bonds payable		5,392	502	5,388	501
Deferred tax liabilities		40	4	42	4
Other		782	73	1,042	97
Total non-current liabilities		6,214	578	6,472	602
Total liabilities		37,417	3,481	37,692	3,507
Net Assets					
Shareholders' equity					
Capital stock		3,885	361	3,882	361
Capital surplus		404,034	37,591	403,856	37,575
Retained earnings		△ 384,315	△ 35,757	△ 383,004	△ 35,635
Total shareholders' equity		23,604	2,196	24,734	2,301
Valuation and translation adjustments					
Valuation differences on available-for-sale securities		29	3	36	3
Foreign currency translation adjustments	※4	△ 25,243	△ 2,349	△ 24,853	△ 2,312
Total valuation and translation adjustments		△ 25,213	△ 2,346	△ 24,817	△ 2,309
Subscription rights to shares		1,709	159	1,659	154
Minority interests		184	17	166	15
Total net assets		284	26	1,742	162
Total liabilities and net assets		37,701	3,508	39,434	3,669

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

② Quarterly consolidated income statements
First quarter consolidated income statements

		1st quarter Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009) (Unit: Thousands of U.S. Dollars)	1st quarter Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009) (Unit: Millions of Japanese Yen)	1st quarter Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010) (Unit: Thousands of U.S. Dollars)	1st quarter Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010) (Unit: Millions of Japanese Yen)
Net sales		9,095	846	3,104	289
Cost of sales		3,396	316	1,955	182
Gross profit		5,699	530	1,149	107
Selling, general and administrative expenses					
Directors' compensations		158	15	194	18
Salaries and allowances		2,922	272	1,406	131
Advertising expenses		36	3	44	4
Depreciation		271	25	189	18
Amortization of goodwill		129	12	-	-
Commission fee		-	-	599	56
Others		3,387	315	1,680	156
Total selling, general and administrative expenses		6,903	642	4,112	383
Operating loss (△)		△ 1,204	△ 112	△ 2,963	△ 276
Non-operating income					
Interest and dividend income		527	49	85	8
Equity in earnings of affiliates		-	-	1,834	171
Foreign exchange gain		-	-	415	39
Commission fee		256	24	171	16
Others		246	23	62	6
Total non-operating income		1,028	96	2,567	239
Non-operating expenses					
Interest expenses		2,251	209	538	50
Foreign exchange loss		414	39	-	-
Equity in loss of affiliates		4,465	415	-	-
Others		-	-	7	1
Total non-operating expenses		7,130	663	545	51
Ordinary loss (△)		△ 7,306	△ 680	△ 941	△ 88
Extraordinary gains					
Gain on sales of stocks of subsidiaries and affiliates	※1	827	77	669	62
Total extraordinary gains		827	77	669	62
Extraordinary losses					
Loss on change in equity		2,555	238	-	-
Loss on sales of stocks of subsidiaries and affiliates		553	51	-	-
Impairment loss	※2	-	-	1,035	96
Others		193	18	-	-
Total extraordinary losses		3,301	307	1,035	96
Loss before income taxes and minority interests (△)		△ 9,781	△ 910	△ 1,307	△ 122
Income taxes (current)		△ 4	△ 0	△ 14	△ 1
Income taxes (deferred)		△ 9	△ 1	-	-
Total income tax		△ 13	△ 1	△ 14	△ 1
Minority interests in income		1,743	162	18	2
Net loss (△) for the period		△ 11,511	△ 1,071	△ 1,311	△ 122

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

③ Quarterly consolidated cashflow statements

		1st quarter Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009) (Unit: Thousands of US dollars)	1st quarter Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009) (Unit: Millions of Japanese Yen)	1st quarter Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010) (Unit: Thousands of US dollars)	1st quarter Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010) (Unit: Millions of Japanese Yen)
Net cash provided by (used in) operating activities					
Loss before income taxes and minority interests (△)		△ 9,781	△ 910	△ 1,307	△ 122
Depreciation and amortization		292	27	189	18
Impairment loss		-	-	1,035	96
Amortization of goodwill		129	12	-	-
Share-based compensation		-	-	233	22
Interest and dividends income		△ 527	△ 49	△ 85	△ 8
Interest expenses		2,251	209	538	50
Gain (loss) on change in equity (△ : gain)		2,555	238	-	-
Equity in earnings (loss) of affiliates (△ : earnings)		4,465	415	△ 1,834	△ 171
Gain (loss) on sales of stocks of subsidiaries and affiliates (△ : gain)		△ 273	△ 25	△ 669	△ 62
Increase (decrease) in accounts receivable (△ : increase)		607	56	△ 81	△ 8
Increase (decrease) in accounts payable (△ : decrease)		△ 380	△ 35	△ 213	△ 20
Other, net		△ 4,771	△ 444	△ 247	△ 23
Subtotal		△ 5,433	△ 505	△ 2,441	△ 227
Income taxes (paid) refund (△ : paid)		△ 178	△ 17	106	10
Net cash provided by (used in) operating activities (△ : used in)		△ 5,611	△ 522	△ 2,335	△ 217
Net cash provided by (used in) investment activities					
Interest and dividends income received		527	49	1,514	141
Purchase of property, plant and equipment		△ 86	△ 8	△ 14	△ 1
Payments of short-term loans receivable		△ 6,420	△ 597	-	-
Proceeds from sales of stocks of subsidiaries and affiliates	※1	-	-	1,000	93
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		7,128	663	-	-
Net cash provided by (used in) investing activities (△ : used in)		1,148	107	2,501	233
Net cash provided by (used in) financing activities					
Interest expenses paid		△ 1,336	△ 124	△ 515	△ 48
Increase (decrease) in deposit pledged (△ : increase)		△ 152	△ 14	-	-
Redemption of bonds		△ 38,943	△ 3,623	-	-
Net increase (decrease) in short-term loans payable (△ : decrease)		6,071	565	29	3
Net cash provided by (used in) financing activities (△ : used in)		△ 34,361	△ 3,197	△ 487	△ 45
Effect of exchange rate change on cash and cash equivalents		437	41	△ 396	△ 37
Net increase (decrease) in cash and cash equivalents (△ : decrease)		△ 38,387	△ 3,571	△ 717	△ 67
Cash and cash equivalents at beginning of year		57,624	5,361	5,428	505
Cash and cash equivalents at end of year	※2	19,238	1,790	4,712	438

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

Change in basis of presenting quarterly consolidated financial statements

1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)
1 Change in scope of consolidation
(1) Change in scope of consolidation
In the 1st quarter consolidated fiscal period, Taylor Rafferty KK is excluded from the scope of consolidation due to dissolution.
(2) The number of consolidated subsidiaries after the change: 23

Additional information

1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)
Conversion of dollars into yen
In accordance with the Article 88 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=93.04, from the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of March 31, 2010. 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.

Change in presentation

1st quarter - Consolidated fiscal period - current year
(From January 1, 2010 to March 31, 2010)

(Quarterly Consolidated balance sheets)

"Unearned revenue" (USD 426 thousand (JPY 40 million)) , "Notes payable-non-operating" (USD 26 thousand (JPY 2 million)) and "Lease obligations " (USD 2 thousand (JPY 0 million)), which were represented separately in previous years, are included in "others" in Current liabilities as their amount fell below 10% of the total Liabilities and net assets.

"Long-term account payable-other" (USD 200 thousand (JPY 19 million)) and "Lease obligation" (USD 0 thousand (JPY 0 million)) , which were represented separately in previous years, are included in "others" in Non-current liabilities as their amount fell below 10% of the total Liabilities and net assets.

(Quarterly Consolidated income statements)

"Commission fee" (USD 1,154 thousand (JPY 108 million)) for the quarterly period ended March 31, 2009), which was included in "others" in Selling, general and administrative expenses in previous years, is represented separately as materiality has increased.

(Quarterly consolidated cashflow statements)

"Share based compensation" (USD 80 thousand (JPY 7 million)) for the quarterly period ended March 31, 2009), which was included in "Other, net" in Net cash provided by (used in) operating activities in previous years, is represented separately as materiality has increased.

Footnote Information

(Quarterly consolidated balance sheets)

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

1st quarter - Consolidated fiscal period - current year (As of March 31, 2010)	Consolidated fiscal year - prior year (As of December 31, 2009)
<p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,222 (1,695)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,212 (1,508)</p> <p>※2 Assets are presented after deduction of allowance for doubtful accounts.</p> <p style="padding-left: 20px;">Amounts deducted from current assets:</p> <p style="text-align: right;">504 (47)</p> <p style="padding-left: 20px;">Amounts deducted from investment and other assets:</p> <p style="text-align: right;">5,904 (549)</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 March 31, 2010 are as follows:</p> <p style="padding-left: 20px;">Total amount of the line of credit</p> <p style="text-align: right;">31,900 (2,968)</p> <p style="padding-left: 20px;">Outstanding balance</p> <p style="text-align: right;">16,685 (1,552)</p> <hr/> <p style="padding-left: 20px;">Remaining amount of the line of credit</p> <p style="text-align: right;">15,215 (1,416)</p> <p>※4 This account includes the difference arising on the translation of Xinhua Finance Limited's functional currency into reporting currency.</p> <p>※1-4 notes correspond with ※1-4 as denoted in the consolidated balance sheet.</p>	<p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,222 (1,695)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,184 (1,506)</p> <p>※2 Assets are presented after deduction of allowance for doubtful accounts.</p> <p style="padding-left: 20px;">Amounts deducted from current assets:</p> <p style="text-align: right;">967 (90)</p> <p style="padding-left: 20px;">Amounts deducted from investment and other assets:</p> <p style="text-align: right;">5,904 (549)</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, 2009 are as follows:</p> <p style="padding-left: 20px;">Total amount of the lines of credit</p> <p style="text-align: right;">30,925 (2,877)</p> <p style="padding-left: 20px;">Outstanding balance</p> <p style="text-align: right;">16,692 (1,553)</p> <hr/> <p style="padding-left: 20px;">Remaining amount of the lines of credit</p> <p style="text-align: right;">14,234 (1,324)</p> <p>※4 Same as on the left.</p> <p>Same as on the left.</p>

(Quarterly consolidated income statements)

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

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009)	1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)																				
<p>※1 _____</p> <p>※2 _____</p> <p>※1-2 notes correspond with ※1-2 as denoted in the consolidated income statements.</p>	<p>※1 Gain on sales of stocks of subsidiaries and affiliates Gain on sales of stocks of subsidiaries and affiliates includes the reduced amount of expenses related to the sales and consideration received as a result of non-estimated earn out of the subsidiaries and affiliates subsequent to the sales. Expenses was overestimated in prior fiscal year and then adjusted in this quarter.</p> <p>※2 Impairment loss The Group recognized an impairment loss for asset groups presented below for the 1st quarter consolidated fiscal period ended March 31, 2010.</p> <table border="1" data-bbox="824 590 1377 871"> <thead> <tr> <th>Region</th> <th>Type</th> <th>Account</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Buildings and structures</td> <td>303 (28)</td> </tr> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Tools, furniture and fixture</td> <td>680 (63)</td> </tr> <tr> <td>North America</td> <td>Asset for operation</td> <td>Tools, furniture and fixture</td> <td>52 (5)</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td>1,035 (96)</td> </tr> </tbody> </table> <p>Grouping is basically implemented by each company unit. However, if it is possible to identify cash flows from an individual asset, recoverable amount is determined for each individual asset. Impairment loss for assets above were recognized as an extraordinary loss because the future cash flows from those assets expected to be generated in respective estimated periods were considered unrecoverable due to change in economic environment. The impairment loss was determined at amount by which the carrying amount of the asset exceeds its recoverable amount based on its value in use. The discount rate used for computation of present value of future cash flows was omitted, because future cash flows are negative.</p> <p>Same as on the left.</p>	Region	Type	Account	Impairment loss	Asia	Asset for operation	Buildings and structures	303 (28)	Asia	Asset for operation	Tools, furniture and fixture	680 (63)	North America	Asset for operation	Tools, furniture and fixture	52 (5)	Total			1,035 (96)
Region	Type	Account	Impairment loss																		
Asia	Asset for operation	Buildings and structures	303 (28)																		
Asia	Asset for operation	Tools, furniture and fixture	680 (63)																		
North America	Asset for operation	Tools, furniture and fixture	52 (5)																		
Total			1,035 (96)																		

(Quarterly Consolidated cashflow statements)

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

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009)	1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)																								
※1 _____ ※2 Reconciliation between ending balance of cash and cash equivalents in the 1st quarter consolidated cashflow statement and balance in the consolidated balance sheet: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">37,395</td> </tr> <tr> <td></td> <td style="text-align: right;">(3,479)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td style="text-align: right;">△18,157</td> </tr> <tr> <td></td> <td style="text-align: right;">(△1,689)</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">19,238</td> </tr> <tr> <td></td> <td style="text-align: right;">(1,790)</td> </tr> </table>	Cash and deposits	37,395		(3,479)	Deposit pledged as collateral	△18,157		(△1,689)	Cash and cash equivalents	19,238		(1,790)	※1 Proceeds from sales of stocks of subsidiaries and affiliates Proceeds from sales of stocks of subsidiaries and affiliates includes the consideration received as a result of non-estimated earn out of the subsidiaries and affiliates subsequent to the sales. ※2 Reconciliation between ending balance of cash and cash equivalents in the 1st quarter consolidated cashflow statement and balance in the consolidated balance sheet: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">22,934</td> </tr> <tr> <td></td> <td style="text-align: right;">(2,134)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td style="text-align: right;">△18,222</td> </tr> <tr> <td></td> <td style="text-align: right;">(△1,695)</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">4,712</td> </tr> <tr> <td></td> <td style="text-align: right;">(438)</td> </tr> </table>	Cash and deposits	22,934		(2,134)	Deposit pledged as collateral	△18,222		(△1,695)	Cash and cash equivalents	4,712		(438)
Cash and deposits	37,395																								
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Cash and cash equivalents	4,712																								
	(438)																								
※1-2 note corresponds with ※1-2 as denoted in the consolidated cashflow statement.	Same as on the left.																								

(Shareholders' equity)

1st quarter - Consolidated fiscal period - current year (As of March 31, 2010 and from January 1, 2010 to March 31, 2010)

1. Number and class of issued shares
Ordinary share 1,515,306 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 1,709 thousand (JPY 159 million).
4. Dividend
Not applicable.
5. Material change in Shareholders' equity
Not applicable.

(Segment information)

【Business segmental information】

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009) and current year (From January 1, 2010 to March 31, 2010)

The Group operates in one business segment thus information on business segment is omitted.

【Regional segmental information】

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 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	133	6,657	2,279	26	9,095	-	9,095
	(12)	(619)	(212)	(2)	(846)	(-)	(846)
(2) Inter segment or transfer	-	2,887	47	2,051	4,984	△ 4,984	-
	(-)	(269)	(4)	(191)	(464)	(△464)	(-)
Total	133	9,543	2,326	2,077	14,079	△ 4,984	9,095
	(12)	(888)	(216)	(193)	(1,310)	(△464)	(846)
Operating income / loss	△ 31	3,788	△ 1,029	△ 3,929	△ 1,202	△ 2	△ 1,204
(△)	(△3)	(352)	(△96)	(△366)	(△112)	(△0)	(△112)

1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales							
(1) Outside customer	82	2,186	836	-	3,104	-	3,104
	(8)	(203)	(78)	(-)	(289)	(-)	(289)
(2) Inter segment or transfer	-	990	-	278	1,268	△ 1,268	-
	(-)	(92)	(-)	(26)	(118)	(△118)	(-)
Total	82	3,176	836	278	4,372	△ 1,268	3,104
	(8)	(295)	(78)	(26)	(407)	(△118)	(289)
Operating income / loss	△ 49	△ 864	△ 525	△ 1,536	△ 2,975	12	△ 2,963
(△)	(△5)	(△80)	(△49)	(△143)	(△277)	(1)	(△276)

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】

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009)

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

	Asia	North America	Europe	Others	Total
I Overseas sales	4,782 (445)	1,107 (103)	2,919 (272)	2 (0)	8,809 (820)
II Consolidated sales					9,095 (846)
III Ratio of overseas sales which accounts for consolidated sale (%)	52.6%	12.2%	32.1%	0%	96.9%

1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)

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

	Asia	North America	Europe	Others	Total
I Overseas sales	2,342 (218)	401 (37)	213 (20)	- (-)	2,956 (275)
II Consolidated sales					3,104 (289)
III Ratio of overseas sales which accounts for consolidated sale (%)	75.4%	12.9%	6.9%	-%	95.2%

Note

- 1 Location segments are based on the geographical proximity.
- 2 Main countries or locations which do not belong to Japan.:
 - (1)Asia Hong Kong, China, Singapore and other locations.
 - (2)North 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)

1st quarter - consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)

Expenses recognized

Selling, general and administrative expenses – Directors’ compensations USD 61 thousand (JPY 6 million)

Selling, general and administrative expenses – Other USD 171 thousand (JPY 16 million)

(Per share information)

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

1st quarter - Consolidated fiscal period - current year (As of March 31, 2010)		Consolidated fiscal year - prior year (As of December 31, 2009)	
Net assets per Share	△1.06 (△98.62)	Net assets per Share	△0.05 (△4.65)

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

1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009)		1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)	
Net loss per share	7.73 (719.38)	Net loss per share	0.87 (80.54)
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	1st quarter - Consolidated fiscal period - prior year (From January 1, 2009 to March 31, 2009)	1st quarter - Consolidated fiscal period - current year (From January 1, 2010 to March 31, 2010)
Net loss for the period	11,511 (1,071)	1,311 (122)
Net income NOT attributed to ordinary shareholders	- (-)	- (-)
Net loss attributed to ordinary shares	11,511 (1,071)	1,311 (122)
Average number of ordinary shares during the period (shares)	1,488,739.27	1,514,473.46
Overview of potential shares without dilutive effect excluded from the formula of diluted income per share for the period and changed significantly from consolidated fiscal year – prior year	-	-

(Significant subsequent events)

Not applicable.

2. Other

Not Applicable.

VII. TREND IN FOREIGN EXCHANGE RATES

Since the foreign exchange rate between JPY and US\$ 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.