

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: August 13, 2010

Quarterly Fiscal Year: The Second Quarter of the Seventh Fiscal Year of 2010
(From April 1, 2010 to June 30, 2010)

Name of Company: Xinhua Finance Limited

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

Address of Registered Office: Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman,
KY1-1111, Cayman Islands

Name of Registration Agent: Toru Ishiguro
Attorney-at-law

Address or Place of Business of Registration Agent: Mori Hamada & Matsumoto
Marunouchi Park Building,
2-6-1 Marunouchi, Chiyoda-ku, Tokyo
100-8222, Japan

Phone Number: 03-6212-8318

Name of Liaison Contact: Kensuke Ambe
Katsuyuki Tainaka
Gaku Yoneyama
Sachiyo Yanagi
Hiroaki Kishimoto
Attorneys-at-Law

Place of Liaison Contact: Mori Hamada & Matsumoto
Marunouchi Park Building,
2-6-1 Marunouchi, Chiyoda-ku, Tokyo
100-8222, Japan

Phone Number: 03-6266-8777

Name of Liaison Contact: Kensuke Ambe
Attorneys-at-Law

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

TABLE OF CONTENTS

PART I CORPORATE INFORMATION	1
I. OUTLINE OF LEGAL AND OTHER SYSTEMS IN THE HOME COUNTRY.....	1
II. OUTLINE OF THE GROUP.....	1
1. Trends in Key Financial Data.....	1
2. Business Overview.....	2
3. Related Companies.....	2
4. Employees.....	2
III. CONDITION OF BUSINESS OF THE GROUP.....	3
1. Condition of Production, Order Acceptance and Sales.....	3
2. Risks related to Business etc.....	3
3. Material Contracts Relating to Business.....	4
4. Analysis of Financial Condition, Operating Results and Cash Flow.....	4
IV. CONDITION OF FACILITIES.....	8
1. Relocation of major facilities.....	8
2. Plans for new creation and disposal of facilities.....	8
V. CONDITION OF THE REPORTING COMPANY.....	8
1. Condition of Shares, etc. (As of June 30, 2010).....	8
2. Trend in Share Prices.....	10
3. Directors and Officers.....	10
VI. FINANCIAL CONDITION.....	11
2. Other.....	29
VII. TREND IN FOREIGN EXCHANGE RATES.....	29
PART II INFORMATION ON THE GUARANTOR, ETC	30
I. INFORMATION ON THE GUARANTOR.....	30
II. INFORMATION ON THE COMPANIES OTHER THAN THE GUARANTOR.....	30
III. INFORMATION ON INDEX, ETC.....	30

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.
 - **“FXI”** refers to FTSE/Xinhua Index 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.
 - **“JP¥”** refers to Japanese Yen, the lawful currency of Japan.
 - **“TSE”** refers to The Tokyo Stock Exchange.
 - **“TSE Regulations”** refers to the Securities Listing Regulations of The Tokyo Stock Exchange.
 - **“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.
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¥88.48 as of June 30, 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 second 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 2 nd consolidated cumulative quarter of the 6 th fiscal year	The 2 nd consolidated cumulative quarter of the 7 th fiscal year	The 2 nd consolidated quarter of the 6 th fiscal year	The 2 nd consolidated quarter of the 7 th fiscal year	The 6 th consolidated fiscal year
Fiscal period		From January 1, 2009 to June 30, 2009	From January 1, 2010 to June 30, 2010	From April 1, 2009 to June 30, 2009	From April 1, 2010 to June 30, 2010	From January 1, 2009 to December 31, 2009
Turnover	US\$'000 JP¥m	17,555 (1,553)	7,245 (641)	8,461 (749)	4,141 (366)	32,717 (2,895)
Ordinary income / loss (△)	US\$'000 JP¥m	△12,053 (△1,066)	△1,675 (△148)	△4,747 (△420)	△734 (△65)	△85,360 (△7,553)
Net income / loss (△)	US\$'000 JP¥m	△18,507 (△1,638)	△1,994 (△176)	△6,996 (△619)	△683 (△60)	△113,454 (△10,038)
Net assets	US\$'000 JP¥m	- (-)	- (-)	101,617 (8,991)	△1,174 (△104)	1,742 (154)
Total assets	US\$'000 JP¥m	- (-)	- (-)	149,193 (13,201)	35,837 (3,171)	39,434 (3,489)
Net assets per share	US\$ JP¥	- (-)	- (-)	63.68 (5,634.44)	△2.14 (△189.35)	△0.05 (△4.42)
Net income / loss (△) per share	US\$ JP¥	△12.43 (△1,099.43)	△1.32 (△116.44)	△4.70 (△415.44)	△0.45 (△39.86)	△75.56 (△6,685.55)
Diluted EPS	US\$ JP¥	- (-)	- (-)	- (-)	- (-)	- (-)
Capital adequacy ratio	(%)	-	-	63.6	△9.1	△0.2
Cashflow provided by (△used in) operating activities	US\$'000 JP¥m	△7,251 (△642)	△4,110 (△364)	- (-)	- (-)	△4,834 (△428)
Cashflow provided by (△used in) investing activities	US\$'000 JP¥m	1,955 (173)	11,838 (1,047)	- (-)	- (-)	9,984 (883)
Cashflow provided by (△used in) financing activities	US\$'000 JP¥m	△37,676 (△3,334)	△1,319 (△117)	- (-)	- (-)	△47,308 (△4,186)
Cash and cash equivalents, End of the year	US\$'000 JP¥m	- (-)	- (-)	14,650 (1,296)	10,515 (930)	5,428 (480)
Number of employees		-	-	297	325	303
EBITDA	US\$'000 JP¥m	△1,150 (△102)	△5,978 (△529)	△367 (△32)	△3,205 (△284)	△2,846 (△252)

Notes :

1. Consumption tax is not included in turnover.

*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. 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 88 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=JP¥88.48, from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of June 30, 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 June 30, 2010

	Headcount
TOTAL	325

(2) The Company:

As of June 30, 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.

An occurrence of and a material change to matters in connection with the risks related to business etc. are as follows.

The Group year to date incurred operating loss of US\$ 6,220 thousand (JP¥ 550 million) and net loss of US\$ 1,994 thousand (JP¥ 176 million) for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010). Net cash used in operating activities for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010) was US\$ 4,110 thousand (JP¥ 364 million). The Group also incurred total net liabilities of US\$ 1,174 thousand (JP¥ 104 million). This is primarily due to worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business and China's constantly changing regulations and guidance in financial industry. In addition, bonds payable (Principal) of US\$ 3,800 thousand (JP¥ 336 million) become due within one year after the end of this 2nd quarter consolidated fiscal period.

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were US\$ 1,174 thousand (JP¥ 104 million) as at June 30, 2010. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million). the Company's shares shall be delisted from the TSE if such status will not cease as of December 31, 2010.

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

According to the TSE Regulations, a listed company's shares will be delisted from the TSE in case where such company has "liabilities in excess of assets" (defined under the TSE Regulations) as of the end of a business year and the liabilities in excess of assets does not cease within a year. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of negative US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million), therefore it is decided that the Company's shares will be delisted from the TSE if such status will not cease as of December 31, 2010.

The Group is continuing the strategic repositioning of its business and moving ahead. At 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 and will continue to implement the strategic repositioning and reorganization of the company with the goal of transitioning the Company from a Financial Information Provider to that of a Financial Solutions & Services Company. At same time, we will also look to capture investment opportunities in the areas of high demand with great potential such as Environmental Protection related opportunities in China

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

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

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

Among the following descriptions, matters related to future events reflect our understanding as of August 13, 2010.

(1) Operating results analysis

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.

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.

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. Our index series is widely regarded as one of the leading measures of the Chinese market by domestic and international investors. The FTSE/Xinhua China 25 and FTSE/Xinhua China A50 are used as the underlying indices for the largest Chinese themed ETFs globally with total assets at nearly US\$ 14 billion (JP¥ 1 trillion) as at June 30, 2010.

In 2010 while the Company continues its strategic repositioning, we will leverage our presence in the growing China market. With the rising influence of China, we expect to see more business opportunities locally. With its core competencies in Financial Solutions and Services as foundation, we will be exploring and looking to capture new business investment opportunities, by serving as a bridge between the China business market and the world.

Net Sales

Net Sales was US\$ 4,141 thousand (JP¥ 366 million) for the three months ended June 30, 2010, as compared to US\$ 8,461 thousand (JP¥ 749 million) for the three months ended June 30, 2009. Lower net sales in this Quarter are primarily due to the Company's much reduced size as compared to the second consolidated quarter of the fiscal year 2009. This is the result of the deconsolidation of FTSE / Xinhua Index Limited ("FXI").

Cost of sales

Cost of sales was US\$2,893 thousand (JP¥ 256 million) for the three months ended June 30, 2010, as compared to US\$ 2,989 thousand (JP¥ 264 million) for the three months ended June 30, 2009.

Gross profit margin

Gross profit margin was 30.1% for the three months ended June 30, 2010 versus 64.7% for the three months ended June 30, 2009. The lower gross profit margin for this quarter compared to the second 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\$ 4,505 thousand (JP¥ 399 million) for the three months ended June 30, 2010, versus US\$ 6,152 thousand (JP¥ 544 million) for the three months ended June 30, 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 second consolidated quarter of the fiscal year 2009. Reducing the Company's size is the result of the deconsolidation of FXI.

Operating income

Operating loss was US\$ 3,258 thousand (JP¥ 288 million) for the three months ended June 30, 2010, versus operating loss of US\$ 681 thousand (JP¥ 60 million) for the three months ended June 30, 2009.

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

Ordinary income

Ordinary loss was US\$ 734 thousand (JP¥ 65 million) for the three months ended June 30, 2010, versus ordinary loss of US\$ 4,747 thousand (JP¥ 420 million) for the three ended June 30, 2009.

The lower ordinary loss this Quarter compared to the second 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\$ 683 thousand (JP¥ 60 million) for the three months ended June 30, 2010, versus net loss of US\$ 6,996 thousand (JP¥ 619 million) for the three months ended June 30, 2009.

The lower net loss this Quarter compared to the second 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\$ 3,258 thousand (JP¥ 288 million); and
- 2) Sharing of profits of FXI of US\$ 1,850 thousand (JP¥ 164 million)

(2) Total Assets, Net Assets and Liabilities Analysis

Total Assets

Total Assets as at June 30, 2010, was US\$ 35,837 thousand (JP¥ 3,171 million) compared to US\$ 149,193 thousand (JP¥ 13,201 million) as at June 30, 2009. Lower Total Assets as at June 30, 2010 compared to those as at June 30, 2009 is mainly due to the sharing of XSEL's losses and impairment loss of property, plant and equipment. Also the Company is much reduced size as compared to the second consolidated quarter of the fiscal year 2009 as a result of the deconsolidation of FXI.

Total Net Assets

Total Net Assets as at June 30, 2010, was negative US\$ 1,174 thousand (JP¥ 104 million) compared to US\$ 101,617 thousand (JP¥ 8,991 million) as at June 30, 2009. Lower Net Assets as at June 30, 2010 compared to those as at June 30, 2009 is mainly due to the sharing of XSEL's losses and impairment loss of property, plant and equipment. Also the Company is much reduced size as compared to the second consolidated quarter of the fiscal year 2009 as a result of the deconsolidation of FXI.

Total Liabilities

Total Liabilities as at June 30, 2010, was US\$ 37,011 thousand (JP¥ 3,275 million) compared to US\$ 47,576 thousand (JP¥ 4,210 million) as at June 30, 2009. The lower Total Liabilities as at June 30, 2010 compared to those as at June 30, 2009 is mainly due to the Company's much reduced size as compared to the second consolidated quarter of the fiscal year 2009 as a result of the deconsolidation of FXI.

(3) Cashflow analysis

Operating activities

Net cash used in operating activities for the three months ended June 30, 2010 amounted to US\$ 1,775 thousand (JP¥ 157 million) as compared to US\$ 1,640 thousand (JP¥ 145 million) for the three months ended June 30, 2009.

Investing activities

Net cash provided by investing activities for the three months ended June 30, 2010 amounted to US\$ 9,337 thousand (JP¥ 826 million) as compared to US\$ 807 thousand (JP¥ 71 million) for the three months ended June 30, 2009. Net cash provided by investing activities in this Quarter was primarily due to interests and dividends income received of US\$ 8,878 thousand (JP¥ 786 million) and proceeds from sales of stocks of subsidiaries and affiliates of US\$ 500 thousand (JP¥ 44 million).

Financing Activities

Net cash used in financing activities for the three months ended June 30, 2010 amounted to US\$ 832 thousand (JP¥ 74 million) as compared to US\$ 3,315 thousand (JP¥ 293 million) for the three months ended June 30, 2009. The cash outflow from financing activities in the second consolidated quarter of 2009 was mainly caused by the redemption of bonds of US\$ 2,911 thousand (JP¥ 258 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\$ 10,515 thousand (JP¥ 930 million) as at June 30, 2010. The ending cash and bank balance was US\$ 28,767 thousand (JP¥ 2,545 million) as at June 30, 2010, shown on the balance sheet. After taking into account of deposits pledged as collateral of US\$18,222 thousand (JP¥ 1,612 million) and bank overdraft of US\$ 30 thousand (JP¥ 3 million), the net cash and cash equivalents was US\$ 10,515 thousand (JP¥ 930 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 year to date incurred operating loss of US\$ 6,220 thousand (JP¥ 550 million) and net loss of US\$ 1,994 thousand (JP¥ 176 million) for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010). Net cash used in operating activities for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010) was US\$ 4,110 thousand (JP¥ 364 million). The Group also incurred total net liabilities of US\$ 1,174 thousand (JP¥ 104 million). This is primarily due to worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business and China's constantly changing regulations and guidance in financial industry. In addition, bonds payable (Principal) of US\$ 3,800 thousand (JP¥ 336 million) become due within one year after the end of this 2nd quarter consolidated fiscal period.

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

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were US\$ 1,174 thousand (JP¥ 104 million) as at June 30, 2010. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million).

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

The Group is continuing the strategic repositioning of its business and moving ahead. At 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 and will continue to implement the strategic repositioning and reorganization of the company with the goal of transitioning the Company from a Financial Information Provider to that of a Financial Solutions & Services Company. At same time, we will also look to capture investment opportunities in the areas of high demand with great potential such as Environmental Protection related opportunities in China.

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.

(7) Liabilities in excess of assets

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were US\$1,174 thousand (JP¥ 104 million) as at June 30, 2010.

According to the TSE Regulations, a listed company's shares will be delisted from the TSE in case where such company has "liabilities in excess of assets" (defined under the TSE Regulations) as of the end of a business year and the liabilities in excess of assets does not cease within a year. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of negative US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million), therefore it is decided that the Company's shares will be delisted from the TSE if such status will not cease as of December 31, 2010.

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 Japanese GAAP requirement we intend to

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

divest in them and expect to have gain to recover the negative excess of liabilities. In particular, at the board of directors of the Company held on July 7, 2010, the Company has decided to sell shares of FXI, representing the entire interest of the Company in FXI subject to the approval of the extraordinary general meeting of the Company to be held on September 10, 2010. After the transaction, the Company's financial condition and liquidity position will be improved and the Company will no longer have liabilities in excess of assets pursuant to the TSE regulations. (Please note that the above opinion of the Company is as of August 13, 2010.)

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 quarter, during this Quarter.

V. CONDITION OF THE REPORTING COMPANY

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

*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) **Condition, etc. of exercise of MSCB, etc.**

Not Applicable.

(3) **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 April 1, 2010 to June 30, 2010	-	1,515,305.79	-	384,004,236 (33,976,694,801)

Notes:

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

The following table sets forth certain information as of June 30, 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
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).

(4) **Major Shareholders**

as of June 30, 2010

Number	Name of Shareholder	Address	Number of Shares	Shareholding %
1	HSBC Broking Securities (Asia) Limited	Custody Department, 3-11-1 Nihonbashi, Chuo-ku, Tokyo 103-0027	254,187	16.77 %
2	Luck Wing Group Ltd.	P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	180,980	11.94 %

*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	NIS Group Co., Ltd.	Nihonbashi Financial Building 6F, 10-1 Nihonbashi-kodenmachi, Chuo-ku 103-0001	114,717	7.57 %
4	PICTET & CIE 828060 Standing Proxy: SMBC	1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006	68,074	4.49 %
5	Nomura Singapore Standing Proxy: Nomura Securities	1-9-1 Nihonbashi, Chuo-ku, Tokyo 103-8011	51,667	3.41 %
6	CLARIDEN LEU SPOR TRUST A/C CLIENTS Standing Proxy: BTMU	BTMU, 2-11-3 Hamamatsucho, Minato-ku, Tokyo 105-0013	38,894	2.57 %
7	Kazunori Miyata	Miyakonojo-shi, Miyazaki	28,938	1.91 %
8	Takeyuki Hamano	Kobe-shi, Hyogo	25,000	1.65 %
9	Rie Hara	Shinagawa-ku, Tokyo	19,500	1.29 %
10	OKASAN INTERNATIONAL (ASIA) LIMITED A/C CLIENT Standing Proxy: Okasan Securities	1-17-6 Nihonbashi, Chuo-ku, Tokyo, 103-0027	17,203	1.14 %
TOTAL			799,160	52.7 %

Notes:

1 The issued share capital of the Company as at June 30, 2010 was 1,515,305.79 shares.

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 (JP¥)	Share Price Low (JP¥)
January 2010	1,474	1,273
February 2010	1,301	1,013
March 2010	1,195	1,020
April 2010	1,365	728
May 2010	865	315
June 2010	938	545

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 April 1, 2009 to June 30, 2009 and the period from January 1, 2009 to June 30, 2009 were 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 April, 2010 to June 30, 2010 and the period from January 1, 2010 to June 30, 2010 were 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¥88.48 (as of June 30, 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 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 April 1, 2009 to June 30, 2009 and the period from January 1, 2009 to June 30, 2009 and Seiwa Audit Corporation has performed a quarterly review on the quarterly consolidated financial statements of the Company for the period from April 1, 2010 to June 30, 2010 and the period from January 1, 2010 to June 30, 2010. On July 1, 2009, Deloitte Touche Tohmatsu became Deloitte Touche Tohmatsu LLC pursuant to the change in the category of auditing firms.

The outside auditor of the Company has changed as follows:

the 1st consolidated (and consolidated cumulative) quarter of the 7th fiscal year Deloitte Touche Tohmatsu LLC

the 2nd consolidated (and consolidated cumulative) quarter of the 7th fiscal year Seiwa Audit Corporation

1. Quarterly Consolidated Financial Information

① Quarterly consolidated balance sheets

		2nd quarter Consolidated fiscal period - current year (As of June 30, 2010) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (As of June 30, 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	28,767	2,545	23,688	2,096
Accounts receivable-trade	※2	2,472	219	2,213	196
Accounts receivable-other		1,034	92	2,095	185
Other	※2	1,531	135	1,562	138
Total current assets		33,804	2,991	29,558	2,615
Non-current assets					
Property, plant and equipment					
Buildings and structures		408	36	986	87
Accumulated depreciation		△ 239	△ 21	△ 445	△ 39
Buildings and structures, net		169	15	540	48
Tools, furniture and fixtures		2,340	207	3,028	268
Accumulated depreciation		△ 2,132	△ 189	△ 2,030	△ 180
Tools, furniture and fixtures, net		208	18	998	88
Total property, plant and equipment		377	33	1,538	136
Intangible assets					
Right of trademark		250	22	300	27
Total intangible assets		250	22	300	27
Investments and other assets					
Investment securities		45	4	65	6
Investments in capital of subsidiaries and affiliates		1,261	112	7,840	694
Other		4	0	-	-
Total investments and other assets	※2	1,309	116	7,906	699
Total non-current assets		1,937	171	9,744	862
Deferred assets					
Bond issuance costs		96	9	133	12
Total deferred assets		96	9	133	12
Total assets		35,837	3,171	39,434	3,489

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

		2nd quarter Consolidated fiscal period - current year (As of June 30, 2010) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (As of June 30, 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		1,235	109	1,106	98
Current portion of bond		3,787	335	3,787	335
Short-term loans payable	※1,3	16,650	1,473	16,726	1,480
Income taxes payable		889	79	984	87
Accounts payable-other		993	88	1,401	124
Accrued expenses		6,517	577	6,664	590
Other		1,034	91	552	49
Total current liabilities		31,104	2,752	31,220	2,762
Non-current liabilities					
Bonds payable		5,397	478	5,388	477
Deferred tax liabilities		38	3	42	4
Other		472	42	1,042	92
Total non-current liabilities		5,907	523	6,472	573
Total liabilities		37,011	3,275	37,692	3,335
Net Assets					
Shareholders' equity					
Capital stock		3,885	344	3,882	343
Capital surplus		404,034	35,749	403,856	35,733
Retained earnings		△ 384,998	△ 34,065	△ 383,004	△ 33,888
Total shareholders' equity		22,922	2,028	24,734	2,188
Valuation and translation adjustments					
Valuation differences on available-for-sale securities		20	2	36	3
Foreign currency translation adjustments	※4	△ 26,187	△ 2,317	△ 24,853	△ 2,199
Total valuation and translation adjustments		△ 26,167	△ 2,315	△ 24,817	△ 2,196
Subscription rights to shares		1,944	172	1,659	147
Minority interests		127	11	166	15
Total net assets		△ 1,174	△ 104	1,742	154
Total liabilities and net assets		35,837	3,171	39,434	3,489

*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

Second quarter consolidated income statements (For the six months ended June 30, 2010)

		2nd quarter Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)	2nd quarter Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010) (Unit: Millions of Japanese Yen)
Net sales		17,555	1,553	7,245	641
Cost of sales		6,385	565	4,848	429
Gross profit		11,170	988	2,397	212
Selling, general and administrative expenses					
Directors' compensations		645	57	386	34
Salaries and allowances		4,930	436	3,456	306
Advertising expenses		57	5	69	6
Depreciation		485	43	242	21
Amortization of goodwill		206	18	-	-
Commission fee		-	-	1,183	105
Others		6,732	596	3,281	290
Total selling, general and administrative expenses		13,055	1,155	8,617	762
Operating loss (△)		△ 1,885	△ 167	△ 6,220	△ 550
Non-operating income					
Interest and dividend income		787	70	129	11
Equity in earnings of affiliates		-	-	3,683	326
Foreign exchange gain		-	-	1,244	110
Commission fee		1,164	103	268	24
Others		517	46	487	43
Total non-operating income		2,467	218	5,811	514
Non-operating expenses					
Interest expenses		2,865	254	1,266	112
Foreign exchange loss		32	3	-	-
Equity in loss of affiliates		9,739	862	-	-
Total non-operating expenses		12,636	1,118	1,266	112
Ordinary loss (△)		△ 12,053	△ 1,066	△ 1,675	△ 148
Extraordinary gains					
Gain on sales of stocks of subsidiaries and affiliates	※2	1,042	92	669	59
Total extraordinary gains		1,042	92	669	59
Extraordinary losses					
Loss on change in equity		2,570	227	-	-
Loss on sales of stocks of subsidiaries and affiliates	※2	35	3	-	-
Loss on sales and retirement of noncurrent assets	※1	91	8	-	-
Impairment loss	※3	-	-	1,034	92
Others		486	43	-	-
Total extraordinary losses		3,183	282	1,034	92
Loss before income taxes and minority interests (△)		△ 14,194	△ 1,256	△ 2,040	△ 181
Income taxes (current)		1,252	111	△ 4	△ 0
Income taxes (deferred)		△ 21	△ 2	△ 4	△ 0
Total income tax		1,231	109	△ 7	△ 1
Minority interests in income		3,082	273	△ 39	△ 3
Net loss (△) for the period		△ 18,507	△ 1,638	△ 1,994	△ 176

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

Second quarter consolidated income statements (For the three months ended June 30, 2010)

		2nd quarter Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)	2nd quarter Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010) (Unit: Thousands of U.S. Dollars)	2nd quarter Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010) (Unit: Millions of Japanese Yen)
Net sales		8,461	749	4,141	366
Cost of sales		2,989	264	2,893	256
Gross profit		5,471	484	1,247	110
Selling, general and administrative expenses					
Directors' compensations		487	43	192	17
Salaries and allowances		2,008	178	2,050	181
Advertising expenses		20	2	25	2
Depreciation		214	19	53	5
Amortization of goodwill		77	7	-	-
Commission fee		-	-	584	52
Others		3,345	296	1,602	142
Total selling, general and administrative		6,152	544	4,505	399
Operating loss (△)		△ 681	△ 60	△ 3,258	△ 288
Non-operating income					
Interest and dividend income		260	23	44	4
Equity in earnings of affiliates		-	-	1,850	164
Foreign exchange gain		382	34	829	73
Commission fee		909	80	97	9
Others		271	24	433	38
Total non-operating income		1,822	161	3,252	288
Non-operating expenses					
Interest expenses		614	54	728	64
Equity in loss of affiliates		5,274	467	-	-
Total non-operating expenses		5,888	521	728	64
Ordinary loss (△)		△ 4,747	△ 420	△ 734	△ 65
Extraordinary gains					
Gain on sales of stocks of subsidiaries and affiliates	※2	895	79	-	-
Others		-	-	1	0
Total extraordinary gains		895	79	1	0
Extraordinary losses					
Loss on change in equity		15	1	-	-
Loss on sales of stocks of subsidiaries and affiliates	※2	162	14	-	-
Loss on sales and retirement of noncurrent assets	※1	91	8	-	-
Others		293	26	-	-
Total extraordinary losses		561	50	-	-
Loss before income taxes and minority interests (△)		△ 4,413	△ 390	△ 733	△ 65
Income taxes (current)		1,256	111	10	1
Income taxes (deferred)		△ 12	△ 1	△ 4	△ 0
Total income tax		1,244	110	7	1
Minority interests in income		1,339	118	△ 57	△ 5
Net loss for the period (△)		△ 6,996	△ 619	△ 683	△ 60

*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

	2nd quarter	2nd quarter	2nd quarter	2nd quarter
	Consolidated fiscal period -prior year (From January 1, 2009 to June 30, 2009) (Unit: Thousands of US dollars)	Consolidated fiscal period -prior year (From January 1, 2009 to June 30, 2009) (Unit: Millions of Japanese Yen)	Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010) (Unit: Thousands of US dollars)	Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010) (Unit: Millions of Japanese Yen)
Net cash provided by (used in) operating activities				
Loss before income taxes and minority interests (△)	△ 14,194	△ 1,256	△ 2,040	△ 181
Depreciation and amortization	528	47	242	21
Impairment loss	-	-	1,034	92
Amortization of goodwill	454	40	-	-
Share-based compensation	-	-	468	41
Interest and dividends income	△ 787	△ 70	△ 129	△ 11
Interest expenses	2,865	254	1,266	112
Gain (loss) on change in equity (△ : gain)	2,570	227	-	-
Equity in earnings (loss) of affiliates (△ : earnings)	9,739	862	△ 3,683	△ 326
Gain (loss) on sales and retirement of noncurrent assets (△ : gain)	91	8	-	-
Gain (loss) on sales of stocks of subsidiaries and affiliates (△ : gain)	△ 1,006	△ 89	△ 669	△ 59
Increase (decrease) in accounts receivable (△ : increase)	△ 4,816	△ 426	△ 258	△ 23
Increase (decrease) in accounts payable (△ : decrease)	△ 260	△ 23	129	11
Other, net	△ 2,225	△ 197	△ 478	△ 42
Subtotal	△ 7,041	△ 623	△ 4,119	△ 364
Income taxes (paid) refund (△ : paid)	△ 210	△ 19	10	1
Net cash provided by (used in) operating activities (△ : used in)	△ 7,251	△ 642	△ 4,110	△ 364
Net cash provided by (used in) investment activities				
Interest and dividends income received	787	70	10,392	919
Purchase of property, plant and equipment	△ 133	△ 12	△ 55	△ 5
Proceeds from sales of property, plant and equipment	93	8	1	0
Payments of short-term loans receivable	△ 6,531	△ 578	-	-
Proceeds from sales of stocks of subsidiaries and affiliates	-	-	1,500	133
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	7,740	685	-	-
Net cash provided by (used in) investing activities (△ : used in)	1,955	173	11,838	1,047
Net cash provided by (used in) financing activities				
Interest expenses paid	△ 1,868	△ 165	△ 1,221	△ 108
Increase (decrease) in deposit pledged (△ : increase)	△ 352	△ 31	-	-
Redemption of bonds	△ 41,854	△ 3,703	-	-
Net increase (decrease) in short-term loans payable (△ : decrease)	6,398	566	△ 98	△ 9
Net cash provided by (used in) financing activities (△ : used in)	△ 37,676	△ 3,334	△ 1,319	△ 117
Effect of exchange rate change on cash and cash equivalents	△ 3	△ 0	△ 1,322	△ 117
Net increase (decrease) in cash and cash equivalents (△ : decrease)	△ 42,975	△ 3,802	5,087	450
Cash and cash equivalents at beginning of year	57,624	5,099	5,428	480
Cash and cash equivalents at end of year	14,650	1,296	10,515	930

Substantial doubt about its ability to continue as a going concern

2nd quarter - consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)

The Group year to date incurred operating loss of USD 6,220 thousand (JPY 550 million) and net loss of USD 1,994 thousand (JPY 176 million) for the consolidated fiscal period ended June 30, 2010. Net cash used in operating activities for the consolidated fiscal period ended June 30, 2010 was USD 4,110 thousand (JPY 364 million). This is primarily due to the worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business and China's constantly changing regulations and guidance in financial industry. In addition, bonds payable (Principal) of USD 3,800 thousand (JPY 336 million) become due within one year after the end of this 2nd quarter consolidated fiscal period.

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were USD1,174 thousand (JPY 104 million) as at June 30, 2010.

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

The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of USD 83 thousand (JPY 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative USD 3,245 thousand (JPY 287 million).

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

The Group is continuing the strategic repositioning of its business and moving ahead. At 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 and will continue to implement the strategic repositioning and reorganization of the company with the goal of transitioning the Company from a Financial Information Provider to that of a Financial Solutions & Services Company. At same time, we will also look to capture investment opportunities in the areas of high demand with great potential such as Environmental Protection related opportunities in China.

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.

Change in basis of presenting quarterly consolidated financial statements

2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 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.
In the 2 quarter consolidation fiscal period, The Mia K Institute Limited and Shanghai Xinhua-TZYD Media Co. Ltd. are consolidated because of newly setup.
(2) The number of consolidated subsidiaries after the change: 25

Additional information

2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 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=88.48, from the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of June 30, 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

2nd quarter - Consolidated fiscal period - current year
(From January 1, 2010 to June 30, 2010)

(Quarterly Consolidated income statements)

"Commission fee" (USD 2,093 thousand (JPY 185 million) for the quarterly period ended June 30, 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 924 thousand (JPY 82 million) for the quarterly period ended June 30, 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.

2nd quarter - Consolidated fiscal period - current year
(From April 1, 2010 to June 30, 2010)

(Quarterly Consolidated balance sheets)

"Unearned revenue" (USD 872 thousand (JPY 77 million)), "Notes payable-non-operating" (USD 3 thousand (JPY 0 million)) and "Lease obligations" (USD 0 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 18 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 939 thousand (JPY 83 million) for the quarterly period ended June 30, 2009), which was included in "others" in selling, general and administrative expenses 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))

2nd quarter - Consolidated fiscal period - current year (As of June 30, 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 (1,612)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,124 (1,427)</p>	<p>※1 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">18,222 (1,612)</p> <p>Corresponding liabilities</p> <p>Short-term loan payable</p> <p style="text-align: right;">16,184 (1,432)</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;">592 (52)</p> <p>Amounts deducted from investment and other assets:</p> <p style="text-align: right;">5,904 (522)</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;">967 (86)</p> <p>Amounts deducted from investment and other assets:</p> <p style="text-align: right;">5,904 (522)</p>
<p>※3 Xinhua Financial Network (Shanghai) Ltd., Xinhua Financial Network Korea Company Limited, and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the lines of credit and the balance outstanding under the agreements at June 30, 2010 are as follows:</p> <p>Total amount of the line of credit</p> <p style="text-align: right;">31,999 (2,831)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,612 (1,470)</p> <hr/> <p>Remaining amount of the line of credit</p> <p style="text-align: right;">15,386 (1,361)</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>Total amount of the lines of credit</p> <p style="text-align: right;">30,925 (2,736)</p> <p>Outstanding balance</p> <p style="text-align: right;">16,692 (1,477)</p> <hr/> <p>Remaining amount of the lines of credit</p> <p style="text-align: right;">14,234 (1,259)</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>

(Quarterly consolidated income statements)

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

2nd quarter - Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)																												
<p>※1 Components of loss on sales and retirement of noncurrent assets are follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="text-align: right;">53</td> </tr> <tr> <td></td> <td style="text-align: right;">(5)</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: right;">38</td> </tr> <tr> <td></td> <td style="text-align: right;">(3)</td> </tr> </table> <p>※2 Gain(Loss) on sales of stocks of subsidiaries and affiliates Gain (Loss) on sales of stocks of subsidiaries and affiliates is the reduced (increased) amount of expenses related to the sale, respectively, due to the adjustments of expenses. The adjustments were made in the 2nd quarter because the expenses were estimated amounts in the 1st quarter and they were fixed in the 2nd quarter. Therefore, aggregate amounts of Gain (Loss) on sales of stocks of subsidiaries and affiliates, respectively, for the three months period of 1st quarter and for the three months period of 2nd quarter does not tie to those amounts in the six months period of 2nd quarter.</p> <p>※3 _____</p>	Buildings and structures	53		(5)	Tools, furniture and fixtures	38		(3)	<p>※1 _____</p> <p>※2 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 the 1st quarter.</p> <p>※3 Impairment loss The Group recognized an impairment loss for asset groups presented below for the 2nd quarter consolidated fiscal period ended June 30, 2010.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 20%;">Region</th> <th style="width: 20%;">Type</th> <th style="width: 30%;">Account</th> <th style="width: 30%;">Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Buildings and structures</td> <td>303 (27)</td> </tr> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Tools, furniture and fixture</td> <td>680 (60)</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>1,034 (92)</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 (27)	Asia	Asset for operation	Tools, furniture and fixture	680 (60)	North America	Asset for operation	Tools, furniture and fixture	52 (5)	Total			1,034 (92)
Buildings and structures	53																												
	(5)																												
Tools, furniture and fixtures	38																												
	(3)																												
Region	Type	Account	Impairment loss																										
Asia	Asset for operation	Buildings and structures	303 (27)																										
Asia	Asset for operation	Tools, furniture and fixture	680 (60)																										
North America	Asset for operation	Tools, furniture and fixture	52 (5)																										
Total			1,034 (92)																										
<p>※1-3 notes correspond with ※1-3 as denoted in the consolidated income statements.</p>																													

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

2nd quarter - Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010)								
<p>※1 Components of loss on sales and retirement of noncurrent assets are follows:</p> <table data-bbox="227 315 779 430"><tr><td>Buildings and structures</td><td>53</td></tr><tr><td></td><td>(5)</td></tr><tr><td>Tools, furniture and fixtures</td><td>38</td></tr><tr><td></td><td>(3)</td></tr></table> <p>※2 Gain(Loss) on sales of stocks of subsidiaries and affiliates Gain (Loss) on sales of stocks of subsidiaries and affiliates is the reduced (increased) amount of expenses related to the sale, respectively, due to the adjustments of expenses. The adjustments were made in the 2nd quarter because the expenses were estimated amounts in the 1st quarter and they were fixed in the 2nd quarter. Therefore, aggregate amounts of Gain (Loss) on sales of stocks of subsidiaries and affiliates, respectively, for the three months period of 1st quarter and for the three months period of 2nd quarter does not tie to those amounts in the six months period of 2nd quarter.</p> <p>※1-2 notes correspond with ※1-2 as denoted in the consolidated income statements.</p>	Buildings and structures	53		(5)	Tools, furniture and fixtures	38		(3)	<p>※1 _____</p> <p>※2 _____</p> <p>Same as on the left.</p>
Buildings and structures	53								
	(5)								
Tools, furniture and fixtures	38								
	(3)								

(Quarterly Consolidated cashflow statements)

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

2 nd quarter - Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009)	2 nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)																												
※1 _____ ※2 Reconciliation between ending balance of cash and cash equivalents in the 2 nd 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;">33,007</td> </tr> <tr> <td></td> <td style="text-align: right;">(2,920)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td style="text-align: right;">△18,357</td> </tr> <tr> <td></td> <td style="text-align: right;">(△1,624)</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;">14,650</td> </tr> <tr> <td></td> <td style="text-align: right;">(1,296)</td> </tr> </table>	Cash and deposits	33,007		(2,920)	Deposit pledged as collateral	△18,357		(△1,624)	Cash and cash equivalents	14,650		(1,296)	※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 2 nd 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;">28,767</td> </tr> <tr> <td></td> <td style="text-align: right;">(2,545)</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;">(△1,612)</td> </tr> <tr> <td style="border-top: 1px solid black;">Bank Overdraft</td> <td style="text-align: right; border-top: 1px solid black;">△30</td> </tr> <tr> <td></td> <td style="text-align: right;">(△3)</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;">10,515</td> </tr> <tr> <td></td> <td style="text-align: right;">(930)</td> </tr> </table>	Cash and deposits	28,767		(2,545)	Deposit pledged as collateral	△18,222		(△1,612)	Bank Overdraft	△30		(△3)	Cash and cash equivalents	10,515		(930)
Cash and deposits	33,007																												
	(2,920)																												
Deposit pledged as collateral	△18,357																												
	(△1,624)																												
Cash and cash equivalents	14,650																												
	(1,296)																												
Cash and deposits	28,767																												
	(2,545)																												
Deposit pledged as collateral	△18,222																												
	(△1,612)																												
Bank Overdraft	△30																												
	(△3)																												
Cash and cash equivalents	10,515																												
	(930)																												
※1-2 note corresponds with ※1-2 as denoted in the consolidated cashflow statement.	Same as on the left.																												

(Shareholders' equity)

2nd quarter - Consolidated fiscal period - current year (As of June 30, 2010 and from January 1, 2010 to June 30, 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 1,944 thousand (JPY 172 million).
4. Dividend
 Not applicable.
5. Material change in Shareholders' equity
 Not applicable.

(Segment information)

【Business segmental information】

2nd quarter - Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009 and From January 1, 2009 to June 30, 2009) and current year (From April 1, 2010 to June 30, 2010 and From January 1, 2010 to June 30, 2010)

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

【Regional segmental information】

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

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales							
(1) Outside customer	114	7,372	975	-	8,461	-	8,461
	(10)	(652)	(86)	(-)	(749)	(-)	(749)
(2) Inter segment or transfer	-	1,707	-	-	1,707	△ 1,707	-
	(-)	(151)	(-)	(-)	(151)	(△151)	(-)
Total	114	9,079	975	-	10,168	△ 1,707	8,461
	(10)	(803)	(86)	(-)	(900)	(△151)	(749)
Operating income / loss	△ 15	2,966	△ 550	△ 3,124	△ 723	43	△ 681
(△)	(△1)	(262)	(△49)	(△276)	(△64)	(4)	(△60)

2nd quarter - Consolidated fiscal period - current year (From April 1, 2010 to June 30, 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	70	3,260	811	-	4,141	-	4,141
	(6)	(288)	(72)	(-)	(366)	(-)	(366)
(2) Inter segment or transfer	-	891	-	112	1,003	△ 1,003	-
	(-)	(79)	(-)	(10)	(89)	(△89)	(-)
Total	70	4,151	811	112	5,144	△ 1,003	4,141
	(6)	(367)	(72)	(10)	(455)	(△89)	(366)
Operating income / loss	△ 69	△ 1,620	△ 170	△ 1,390	△ 3,249	△ 9	△ 3,258
(△)	(△6)	(△143)	(△15)	(△123)	(△287)	(△1)	(△288)

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

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales							
(1) Outside customer	247	14,029	3,254	26	17,555	-	17,555
	(22)	(1,241)	(288)	(2)	(1,553)	(-)	(1,553)
(2) Inter segment or transfer	-	4,593	47	2,051	6,691	△ 6,691	-
	(-)	(406)	(4)	(181)	(592)	(△592)	(-)
Total	247	18,622	3,301	2,077	24,246	△ 6,691	17,555
	(22)	(1,648)	(292)	(184)	(2,145)	(△592)	(1,553)
Operating income / loss	△ 46	6,753	△ 1,579	△ 7,053	△ 1,925	41	△ 1,885
(△)	(△4)	(598)	(△140)	(△624)	(△170)	(4)	(△167)

2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 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	152	5,446	1,647	-	7,245	-	7,245
	(13)	(482)	(146)	(-)	(641)	(-)	(641)
(2) Inter segment or transfer	-	1,881	-	390	2,272	△ 2,272	-
	(-)	(166)	(-)	(35)	(201)	(△201)	(-)
Total	152	7,327	1,647	390	9,517	△ 2,272	7,245
	(13)	(648)	(146)	(35)	(842)	(△201)	(641)
Operating income / loss (△)	△ 118	△ 2,484	△ 695	△ 2,927	△ 6,224	4	△ 6,220
	(△10)	(△220)	(△62)	(△259)	(△551)	(0)	(△550)

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】

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

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

	Asia	North America	Europe	Others	Total
I Overseas sales	4,791	490	2,963	8	8,251
	(424)	(43)	(262)	(1)	(730)
II Consolidated sales					8,461
					(749)
III Ratio of overseas sales which accounts for consolidated sale (%)	56.6%	5.8%	35.0%	0.1%	97.5%

2nd quarter - Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010)

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

	Asia	North America	Europe	Others	Total
I Overseas sales	3,412	409	191	-	4,012
	(302)	(36)	(17)	(-)	(355)
II Consolidated sales					4,141
					(366)
III Ratio of overseas sales which accounts for consolidated sale (%)	82.4%	9.9%	4.6%	-%	96.9%

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

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

	Asia	North America	Europe	Others	Total
I Overseas sales	9,572	1,596	5,882	10	17,060
	(847)	(141)	(520)	(1)	(1,510)
II Consolidated sales					17,555
					(1,553)
III Ratio of overseas sales which accounts for consolidated sale (%)	54.5%	9.1%	33.5%	0.1%	97.2%

2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)

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

	Asia	North America	Europe	Others	Total
I Overseas sales	5,753 (509)	810 (72)	404 (36)	- (-)	6,968 (616)
II Consolidated sales					7,245 (641)
III Ratio of overseas sales which accounts for consolidated sale (%)	79.4%	11.2%	5.6%	-%	96.2%

Note

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

(Share option)

2nd quarter - consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010)

Expenses recognized

Selling, general and administrative expenses – Other USD 235 thousand (JPY 21 million)

(Per share information)

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

2nd quarter - Consolidated fiscal period - current year (As of June 30, 2010)		Consolidated fiscal year - prior year (As of December 31, 2009)	
Net assets per Share	△2.14 (△189.35)	Net assets per Share	△0.05 (△4.42)

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

2nd quarter - Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009)		2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)	
Net loss per share	12.43 (1,099.43)	Net loss per share	1.32 (116.44)
As the Group is in a loss position, diluted net loss per share information is not stated.		As the Group is in a loss position, diluted net loss per share information is not stated.	

(Note) Basis of calculation for the net loss

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

Item	2nd quarter - Consolidated fiscal period - prior year (From January 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From January 1, 2010 to June 30, 2010)
Net loss for the period	18,507 (1,638)	1,994 (176)
Net income NOT attributed to ordinary shareholders	- (-)	- (-)
Net loss attributed to ordinary shares	18,507 (1,638)	1,994 (176)
Average number of ordinary shares during the period (shares)	1,489,430.12	1,514,891.92
Overview of potential shares without dilutive effect excluded from the formula of diluted income per share for the period and changed significantly from consolidated fiscal year – prior year	Share of subscription rights (Number of shares to be issued upon exercise: 157,830 shares) issued by the Company. The overview is stated in V. CONDITION OF THE REPORTING COMPANY, 1. Condition of shares, etc, (2) Total number of shares issued and changes in capital stock	-

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

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

2nd quarter - Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010)
Net loss per share 4.70 (415.44)	Net loss per share 0.45 (39.86)
As the Group is in a loss position, diluted net loss per share information is not stated.	As the Group is in a loss position, diluted net loss per share information is not stated.

(Note) Basis of calculation for the net loss

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

Item	2nd quarter - Consolidated fiscal period - prior year (From April 1, 2009 to June 30, 2009)	2nd quarter - Consolidated fiscal period - current year (From April 1, 2010 to June 30, 2010)
Net loss for the period	6,996 (619)	683 (60)
Net income NOT attributed to ordinary shareholders	- (-)	- (-)
Net loss attributed to ordinary shares	6,996 (619)	683 (60)
Average number of ordinary shares during the period (shares)	1,490,105.79	1,515,305.79
Overview of potential shares without dilutive effect excluded from the formula of diluted income per share for the period and changed significantly from consolidated fiscal year – prior year	Share of subscription rights (Number of shares to be issued upon exercise: 157,830 shares) issued by the Company. The overview is stated in V. CONDITION OF THE REPORTING COMPANY, 1. Condition of shares, etc, (2) Total number of shares issued and changes in capital stock	-

(Significant subsequent events)

2nd quarter - Consolidated fiscal period - current year
(From April 1, 2010 to June 30, 2010)

1. Disposal of FTSE/Xinhua Index Limited

On July 7, 2010, the Group has entered into the final agreement, subject to the approval by the shareholders of the Company at the Extraordinary General Meeting on September 10, 2010, to sell 50% equity stake in FTSE/Xinhua Index Limited ("FXI").

(1) Reason for the transfer of the subsidiary

The sale of the Company's stake in FXI will enable the management and the directors of the Company to focus the resources of the Group on its other core competencies.

(2) Purchaser

FTSE International Limited

(3) Outline of FXI

Address : Hong Kong, PRC.

Business : Index related products and services provider

Transactions with the Company : Not applicable

(4) Outline of the sale

(1) Number of shares sold: 500 B shares (50%)

(2) Total sale price: USD40 million in cash

2. Others

Not applicable.

2. Other

Not Applicable.

VII. TREND IN FOREIGN EXCHANGE RATES

Since the foreign exchange rate between JP¥ 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.