

FY2009 Q1-Q3 Financial Results

(This is a translation from the original document in Japanese. If there are any discrepancies, the Japanese version shall prevail.)

12 February 2010

Company name:	IB Daiwa Corporation
Stock exchange on which the shares are listed:	JASDAQ exchange in Japan
Code :	3587
URL :	http://www.ibdaiwa.co.jp/
Representative:	Seiki Takahashi, Representative Director and President
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Date of filing of Quarterly Reports
(*Shihanki Houkokusho*)

12 February 2010

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for Q1-Q3 of FY2009 (1 April 2009 through 31 December 2009)

(1) Consolidated financial performance *% in parentheses shows the increase or decrease from the same period of the previous fiscal year.*

	Sales revenue		Operating income		Ordinary income		Net income	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Q1-Q3 FY09	461	(-49.6)	-275	(—)	-747	(—)	-2,363	(—)
Q1-Q3 FY08	915	(-23.0)	-238	(—)	-1,536	(—)	-409	(—)

	Net income per share (non-diluted)	Net income per share (fully-diluted)
	yen	yen
Q1-Q3 FY09	-4.57	—
Q1-Q3 FY08	-0.96	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio *	Net assets per share **
	Mil yen	Mil yen	%	Yen
31-Dec-09	5,442	-138	-2.6	-0.23
31-Mar-09	6,632	1,267	19.1	2.87

Ref. Shareholders' equity: 31-Dec-09 537 Mil yen 31-Mar-09 1,264 Mil yen

* *Equity ratio = Shareholders' equity over the Total assets*

** *Net assets per share = Net assets divided by the number of the total outstanding shares less the number of treasury shares as at the end of the period.*

2. Dividend payments

(Record date)	Dividend payments per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
FY08	Yen 0.00	Yen 0.00	Yen 0.00	Yen 0.00	Yen 0.00
FY09	0.00	0.00	0.00		0.00
FY09E				0.00	

Note: Revisions to forecast for dividend payments made during this quarter: No

3. FY2009 Consolidated Forecast (from 1 April 2009 through 31 March 2010)

(% shows yoy change)

	Sales Revenue		Operating income		Ordinary income		Net income *	
FY09 Full Year	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
	599	(-43.5)	-397	(—)	-981	(—)	-1,996	(—)

Note: Revisions to consolidated financial forecast made during this quarter: Yes

4. Additional information

(1) Changes in material subsidiaries in the group (“Tokutei Kogaisha”): No

(2) Simplified accounting method adopted: Yes

For more details, please refer to “4. Additional information” of [Qualitative information on the consolidated financial statements and others] on page 4.

(3) Changes in accounting methods, procedures and presentations

① Changes due to revisions of accounting regulations and others: No

② Other changes: No

(4) Number of outstanding shares (common stocks)

① No of issued shares as of the end of the period: Dec-09: 610,693,000 Mar-09: 441,400,000

② No. of treasury shares as of the end of the period: Dec-09: 23,038 Mar-09: 21,838

③ No. of average shares with voting rights: FY09 Q1-Q3: 517,712,430 FY08 Q1-Q3: 426,378,253

* NOTES TO FORECASTS PROVIDED IN THE REPORT

The Company’s financial performance may deviate significantly from the forecast as it depends on various factors beyond the Company’s control, including weather conditions, technical problems encountered at production sites and resource shortages, which have an impact on the natural resources production volume, natural resources prices, and exchange rates. It may also be affected positively or negatively by the costs and drilling results of its exploration projects, and by any acquisitions, disposals and other transactions carried out by the Company. The above forecast is estimated based on currently available information and may be subject to changes due to uncertainties. Actual results may substantially change depending on business circumstances.

Please also refer to “3. Qualitative information on the consolidated financial forecast in comparison to the actual performance” of [Qualitative information on the consolidated financial statements and others] on page 5.

【Qualitative information on the consolidated financial statements and others】

1. Qualitative information on the operation results

In FY2009 Q1-Q3, the consolidated Net sales was JPY 461 million (cf. FY2008 Q1-Q3: JPY 915 million), the consolidated Operating loss was JPY 275 million (cf. FY2008 Q1-Q3: JPY 238 million), the consolidated Ordinary loss was JPY 747 million (cf. FY2008 Q1-Q3: JPY 1,536 million), and the consolidated Net loss was JPY 2,363 million (cf. FY2008 Q1-Q3: JPY 409 million).

The operation results by business segment are as follows:

(Natural Resources Investment and Development Business Segment)

In this segment, the Company earned Net sales of JPY 64 million (cf. FY2008 Q1-Q3: JPY 486 million) and recorded Operating loss of JPY 22 million (cf. FY2008 Q1-Q3: JPY 118 million) from sales from the Kami well onshore Louisiana, USA, which is owned by Lodore Louisiana, L.L.C. (including its parent and affiliates, “Lodore”), the Company’s wholly owned subsidiary, and from sales from the wells at the Bullseye field onshore Louisiana, USA, which was newly acquired by the Company in the previous fiscal year.

At the Kami field, lower-than-usual oil and gas production volume had been continuing due to the increase of water production, which caused the situation in which the operating costs exceed the revenues, and resulted that Pel-Tex Oil Company, L.L.C. (“Pel-Tex”), the operator of the well, has suspended the production from the well since 7 July 2009. Hence, the sales revenue in Q2 through Q3 from the Kami well was zero. On 2 October 2009, Pel-Tex has filed Chapter 11 of the Bankruptcy Code, which has made Lodore decide to write-off the Kami well, as it is difficult to discuss with the operator and to agree on the action plan for the well, and the Kami lease may expire if the suspension of the production further continues. In Q2 of the fiscal year, extraordinary losses of JPY 341 million were recognised, comprising of the sum of the loss on the Kami well write-off and the loss on additional provision for doubtful accounts related to Pel-Tex.

The Sales revenue from the production at the Bullseye field from the Jumonville #1 and #2 wells in Q1-Q3 of the fiscal year was JPY 46 million.

The biggest reason for the big variance between the sales of Q1-Q3 FY2009 and Q1-Q3 2008 is that, in Q1-Q3 2008, Lodore earned JPY 346 million of revenue from selling the casings kept as inventories since Lodore purchased for the drilling of the North Kaplan prospect onshore Louisiana, USA, in which participation was planned at the time of the purchase but was later given up by Lodore.

Asia Special Situations GJP1 Limited (“ASSGJP1”), a wholly-owned subsidiary of the Company, has entered into a loan agreement with ADM Galleus Fund Limited (“ADM”), its existing lender, to additionally borrow GBP 4,454,027.54. The loan was drawn down on 23 November 2009, and all the proceeds were used for ASSGJP1 to subscribe for 89,080,545 shares newly issued by Leed Petroleum PLC at GB 5 pence per share (“Leed”), and Leed’s shares newly subscribed for have been put as collateral for the loan. Leed has issued total of 400,000,000 shares, as a result of which the Company has recognised JPY 1,302 million of Loss on deemed sale of affiliate’s shares. Equity in income from affiliates (Leed) recognised in Q1 – Q3 FY2009 was JPY 63 million.

(Textile Business Segment)

By manufacturing and selling of twine (for machines sewing), in this quarter, the Company earned sales revenue of JPY 116 million (cf. FY2008 Q1-Q3: JPY 147 million) and recorded operating profit of JPY 3 million (cf. FY2008 Q1-Q3: JPY 9 million).

(Food Business Segment)

By selling vegetables, the Company earned sales revenue of JPY 281 million (cf. FY2008 Q1-Q3: JPY 282 million) and recorded operating profit of JPY 0 million (cf. FY2008 Q1-Q3: JPY 0 million) in this quarter.

2. Qualitative information on the consolidated financial position

(1) Total assets

The Total assets as of the end of FY2009 Q3 was JPY 5,442 million, which is lower than the Total assets as of the end of FY2008 (JPY 6,632 million) by JPY 1,189 million.

Partly due to the decreases in the Cash and deposits, Prepaid expenses and Deposits from the end of FY2008 to the end of Q3 2009 by JPY 28 million, JPY 85 million and JPY 26 million, respectively, the Current assets at the end of FY2009 Q3 was JPY 432 million and was lower than that at the end of FY2008 (JPY 592 million) by JPY 159 million. The Fixed assets decreased from the end of FY2008 (JPY 6,034 million) to JPY 4,753 million at the end of FY2009 Q3 by JPY 1,024 million, mainly because of the decrease in the Shares in affiliates (Leed) from JPY 5,474 million at the end of FY2008 to JPY 4,753 million at the end of Q3 2009 by JPY 720 million mainly due to the decrease in the percentage ownership as a result of Leed’s equity financing and also to the exchange difference, and also of the decrease in the Wells by JPY 337 million from JPY 484 million at the end of FY2008 to

JPY 147 million at the end of Q3 2009 due to the above mentioned write-off of the Kami well. The Deferred assets at the end of FY2008 was JPY 5 million, but has decreased by JPY 5 million to zero at the end of FY2009 Q3.

(2) Liabilities

The Total liabilities at the end of FY2009 Q3 was JPY 5,580 million, which is higher than those as of the end of FY2008 (JPY 5,364 million) by JPY 216 million. Although Other payable and Provision for contingency losses have decreased by JPY 107 million and JPY 320 million, respectively, compared to the end of FY2008, mainly because that ASSGJP1 has additionally borrowed from ADM in order to obtain funding to subscribe for the new shares issued by Leed. The aggregate balance of Short-term and Long-term loans at the end of Q3 FY2009 was JPY 5,403 million, which is higher than that at the end of FY2008 (JPY 4,745 million) by JPY 657 million.

(3) Net assets

The Net assets at the end of FY2009 Q3 was negative at JPY 138 million, which is lower than the Net assets at the end of FY2008 (JPY 1,267 million) by JPY 1,405 million. The decrease in the Net assets is mainly attributable to the recognition of JPY 2,363 million of the Net loss during Q1-Q3 FY2009, which is partly due to recognition of JPY 1,302 million of Loss on deemed sale of affiliates' shares caused by Leed's issuance of new shares.

In the 64th annual general meeting of shareholders of the Company held on 24 June 2009, "Reduction of Capital and Capital Reserve" and "Disposition of Capital Surplus" have been approved and passed, and effective 2 July 2009, Capital and Capital Reserve have reduced by JPY 7,796,474 thousand and JPY 37,500 thousand, respectively.

3. Qualitative information on the consolidated financial forecast in comparison to the actual performance

The variance between the forecast and the actual for the quarter is as shown in the table below:

	Q1 (Actual)	Q2 (Actual)	Q3 (Actual)	Q4 (Forecast)	Full Year (Forecast)
Sales Revenue	158	151	151	139	599
Natural Resource	26	20	16	16	65
Textile	37	37	40	36	164
Foods	93	93	93	87	370
Operating Profit	-73	-99	-102	-123	-397
Ordinary Profit	-188	-255	-303	-235	-981
Net Profit	-190	-597	-1,575	366	-1,996

In the forecast for the 4th quarter, it is assumed that the Sales revenue in the Natural Resources Development and Investment segment will be earned only from the Bullseye wells, and that the production at the Kami well will remain suspended. The Sales forecast for the Bullseye wells for the 4th quarter is assumed to be same as that for the 3rd quarter. It is assumed that the Sales revenues in the Textile segment and in the Foods segment in the 4th quarter will be largely in-line with the actual Sales revenues earned in the 1st through 3rd quarters in the fiscal year.

Regarding the Ordinary profit for the 4th quarter, there are possibilities of recognition of Exchange gain/loss among others, which is not under control of the Company.

Regarding the Net profit for the 4th quarter, the forecast includes the estimated net amount of the expected recognition of extraordinary gain (approx. JPY 3,600 million of Gain on discharge of liabilities) and loss (approx. JPY 3,000 million of Loss on sale of affiliates' shares), which is described in "(1) Change in status of a subsidiary and affiliates in the IBD Group" of "6. Material Subsequent Events" on page 14.

4. Additional information

(1) Changes in status of material subsidiaries in the group (“*Tokutei Kogaisha*”): N/A

(2) Simplified accounting method adopted

① Evaluation of inventories

In evaluation of the inventories as at the end of this quarter, the Company has omitted physical inventory. Instead, the balance of the inventories as at the end of FY2009 Q1-Q3 was determined by a certain rational method to reasonably estimate, based on the information from physical inventory as at the end of FY2008.

② Depreciation for depreciable fixed assets

For certain depreciable fixed assets, the Company applies declining-balance method. The depreciation expenses for such assets in this quarter are calculated as pro-rata to the depreciation expenses for these assets for the whole fiscal year based on the declining-balance method.

(3) Change in accounting methods, procedures and presentations: N/A

5. Consolidated financial statements for FY2009 Q1-Q3

(1) FY2009 Q1-Q3 Consolidated balance sheet

Unit: 000 Yen

	FY2009 Q3 (December 31, 2009)	FY2008 Year End Condensed Consolidated Balance Sheet (March 31, 2009)
	Amount (1,000Yen)	Amount (1,000Yen)
Assets		
Current assets		
Cash and deposits	232,034	260,992
Notes and accounts receivable-trade	122,501	137,306
Finished goods	32,087	46,775
Work in process	10,170	4,357
Supplies	2,214	1,064
Prepaid expenses	8,990	94,014
Accounts receivable-other	15,757	293,775
Guarantee deposits	-	26,350
Consumption taxes receivable	8,228	—
Other	768	21,319
Allowance for doubtful accounts	-	(293,417)
Total current assets	432,753	592,538
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	28,856	36,493
Accumulated depreciation	(25,858)	(28,813)
Buildings and structures, net	2,997	7,679
Well	163,236	1,019,780
Accumulated depreciation	(15,515)	(535,072)
Well, net	147,720	484,708
Vehicles, tools, furniture and fixtures	16,440	15,356
Accumulated depreciation	(14,104)	(13,562)
Vehicles, tools, furniture and fixtures, net	2,335	1,793
Total property, plant and equipment	153,053	494,181
Intangible assets	1,236	1,880
Investments and other assets		
Investment securities	77,233	28,590
Stocks of subsidiaries and affiliates *1	4,753,681	5,474,037
Investments in capital	50	50
Long-term loans receivable	457,456	465,646
Long-term operating receivables	295,870	223,350
Long-term prepaid expenses	-	4,526
Guarantee deposits	39,174	50,912
Allowance for doubtful accounts	(767,597)	(708,997)
Total investments and other assets	4,855,869	5,538,117
Total noncurrent assets	5,010,160	6,034,178
Deferred assets		
Stock issuance cost	-	5,462
Total deferred assets	-	5,462
Total assets	5,442,913	6,632,179

	FY2009 Q3 (December 31, 2009)	FY2008 Year End Condensed Consolidated Balance Sheet (March 31, 2009)
	Amount (1,000Yen)	Amount (1,000Yen)
Liabilities		
Current liabilities		
Accounts payable-trade	72,378	72,607
Short-term loans payable *1	-	4,745,823
Accounts payable-other	15,329	122,805
Accrued expenses	293	224
Income taxes payable	810	1,415
Deposits received	1,669	13,257
Provision for bonuses	7,432	6,674
Provision for contingent loss	-	320,881
Total current liabilities	97,913	5,283,689
Noncurrent liabilities		
Long-term loans payable *1	5,403,314	
Provision for retirement benefits	45	102
Abandonment cost	79,666	81,039
Total noncurrent liabilities	5,483,026	81,141
Total liabilities	5,580,940	5,364,831
Net assets		
Shareholders' equity		
Capital stock	518,663	7,930,379
Capital surplus	384,758	37,500
Retained earnings	(823,702)	(6,293,986)
Treasury stock	(1,850)	(1,843)
Total shareholders' equity	77,868	1,672,049
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	24,196	(24,445)
Foreign currency translation adjustment	(244,600)	(382,640)
Total valuation and translation adjustments	(220,404)	(407,086)
Subscription rights to shares	4,508	2,385
Total net assets	(138,026)	1,267,348
Total liabilities and net assets	5,442,913	6,632,179

(2) FY2009 Q1-Q3 Consolidated statement of income

Unit: 000 Yen

	FY2008 Q1-Q3 (From April 1, 2008 to December 31, 2008)	FY2009 Q1-Q3 (From April 1, 2009 to December 31, 2009)
	Amount (1,000Yen)	Amount (1,000Yen)
Net sales	915,513	461,763
Cost of sales	571,503	468,091
Gross profit	344,010	(6,327)
Selling, general and administrative expenses *1	582,215	268,707
Operating income	(238,205)	(275,035)
Non-operating income		
Interest income	7,091	9,270
Foreign exchange gains	52,947	12,843
Equity in earnings of affiliates	-	63,033
Other	314	376
Non-operating income	60,353	85,523
Non-operating expenses		
Interest expenses	258,825	313,651
Financing expenses	680,290	95,484
Equity in losses of affiliates	418,906	-
Guarantee release cost	-	90,210
Other	580	58,208
Non-operating expenses	1,358,603	557,554
Ordinary income	(1,536,456)	(747,066)
Extraordinary income		
Gain on sales of investment securities	778,734	-
Gain on change in equity	686,089	-
Gain on reversal of subscription rights to shares	-	26,400
Other	111,103	50
Extraordinary income	1,575,927	26,450
Extraordinary loss		
Loss on valuation of investment securities	123,104	-
Provision for contingent loss	323,156	2,049
Provision of allowance for doubtful accounts	-	27,839
Impairment loss	-	301,952
Loss on change in equity	-	1,302,835
Other	111	3,688
Extraordinary loss	446,371	1,638,365
Income before income taxes and minority interests	(406,900)	(2,358,980)
Income taxes-current	2,360	4,709
Income taxes	2,360	4,709
Net income	(409,261)	(2,363,689)

(3) FY2009 Q1-Q3 Consolidated statement of cashflow

Unit: 000 Yen

	FY2008 Q1-Q3 (From April 1, 2008 to December 31, 2008)	FY2009 Q1-Q3 (From April 1, 2009 to December 31, 2009)
	Amount (1,000Yen)	Amount (1,000Yen)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(406,900)	(2,358,980)
Depreciation and amortization	48,100	28,103
Impairment loss	-	301,952
Amortization of goodwill	14,978	-
Increase (decrease) in allowance for doubtful accounts	(8,294)	(538,970)
Increase (decrease) in provision for contingent loss	323,156	-
Interest and dividends income	(7,111)	(9,270)
Interest expenses	258,825	313,651
Equity in (earnings) losses of affiliates	418,906	(63,033)
Loss (gain) on sales of investment securities	(778,734)	-
Loss (gain) on valuation of investment securities	123,104	-
Loss (gain) on change in equity	(686,089)	1,302,835
Decrease (increase) in notes and accounts receivable-trade	228,264	14,804
Decrease (increase) in inventories	25,137	7,724
Increase (decrease) in notes and accounts payable-trade	296	(228)
Other	270,192	206,448
Subtotal	(176,166)	(794,961)
Interest and dividends income received	7,111	1,081
Interest expenses paid	(259,978)	(4,579)
Income taxes paid	(2,965)	(2,420)
Net cash provided by (used in) operating activities	(432,000)	(800,880)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,626,694)	(5,475)
Proceeds from sales of investment securities	839,703	-
Purchase of stocks of subsidiaries and affiliates	-	(654,990)
Collection of short-term loans receivable	8,190	8,190
Other	36,712	40
Net cash provided by (used in) investing activities	(742,088)	(652,236)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,925,985	-
Proceeds from long-term loans payable	-	667,817
Repayment of long-term loans payable	(2,850,191)	-
Proceeds from issuance of common stock	-	767,184
Purchase of treasury stock	(7)	(7)
Deposit of security fund	(682,725)	-
Other	-	(11,285)
Net cash provided by (used in) financing activities	1,393,061	1,423,710
Effect of exchange rate change on cash and cash equivalents	(2,584)	448
Net increase (decrease) in cash and cash equivalents	216,388	(28,957)
Cash and cash equivalents at beginning of period	121,724	260,992
Cash and cash equivalents at end of period *	338,113	232,034

(4) Issues concerning going concern assumption

The Company's cash flows from operating activities have been negative for the last several fiscal years, due to which it requires to obtain financings from external sources to secure its general working capital and funds for new investments. In order to address to the issue of negative cash flows, the Company has altered its investment strategy to focus on assets with steady operating cash flows.

As a part of the strategy to acquire attractive assets with steady operating cash flows, on 17 March 2009, the Company has acquired 8% working interest in the Bullseye Prospect onshore Louisiana, at which at the time of the acquisition a well was already producing oil and gas.

Also on 18 August 2009, the Company entered into a letter of intent ("LOI") regarding an acquisition ("Acquisition") of preference shares in Stand Success Group Limited ("SSGL"), which would on completion of the Acquisition hold rights and concessions for the exploitation and selling of coal resources in Indonesia, for the Acquisition price of US\$12.5 million. When it signed the LOI, the Company believed the Acquisition would greatly enhance its cash flows, as the preference shares would offer a preferred dividend equivalent to the higher of US\$3.1 million per annum or 25% of SSGL net profit. However, based on the findings from the due diligence conducted after the signing of the LOI, in the Board meeting of the Company held on 2 November 2009, the Company has concluded that it was not certain that the Company would be able to receive the full amount of the guaranteed minimum preferential dividend, and has decided not to proceed with the Acquisition. Following the Company's decision not to proceed with the Acquisition, the holders of the Company's warrants ("Warrants") have decided not to exercise the Warrants, which were issued by the Company and subscribed for by the holders on the assumption that the Company would proceed with the Acquisition, utilising the proceeds from the exercise of the Warrants. As such, none of the Warrants have been exercised and all of them have expired.

Without new developments, the Company's cash flows will likely continue to be negative, which could result in a situation under which the Company becomes short in cash.

In order to solve the issues, the Company is currently exploring several opportunities to acquire other attractive assets with steady cash flows, such as already cash generating assets (e.g. to acquire working interests in producing assets) or the ones that have already secured sales contracts. The Company is of the view that the timing is favourable to acquire attractive assets for reasonable prices.

With the limited cash available on hand, it is necessary for the Company to source the funds required to acquire such assets. In order to obtain financing, in its Board meeting held on 8 December 2009, the Company has resolved to issue 81,293,000 shares and 2,676 units of No.5 Warrants (equivalent of 267,600,000 shares), and subsequently has issued the shares and the warrants.

The Company is rather confident that it can turn the operating cash flows from negative to positive by obtaining new financing and by further acquiring new assets with steady cash flows.

However, at the time of this report, it is not certain whether the No.5 Warrants will be exercised in a timely manner, nor whether it can acquire assets with steady cash flows in the near future. As such, there are serious questions over the Company's premises as a going concern.

The consolidated quarterly financial statements are prepared on the premises that the Company will operate as a going concern and do not reflect the effect of the substantial doubt about the going concern assumption as described above.

(5) Segment Information
 【Segment information by business】

FY2008 Q1-Q3 (1 April 2008 through 31 December 2008)

(Unit: thousands of yen)

	Natural resources development & investment	Textile	Food	Total	Elimination or corporate overhead	Consolidated
Sales revenue						
(1) External	486,195	147,106	282,211	915,513	—	915,513
(2) Inter-company	—	—	—	—	—	—
Total	486,195	147,106	282,211	915,513	—	915,513
Operating income	118,142	9,599	823	128,565	-366,771	-238,205

(Notes)

1. Business segments are defined according to the categories used in internal management.
2. Main products (including services) of each segment are as follows:
 - (1) Natural resources Business of exploring, developing and producing gas, oil and other natural development & investment resources
 - (2) Textiles Threads for industrial sewing machines and bag sewing machines, emergency sand bags (water gel)
 - (3) Food Fruit and vegetables

FY2009 Q1-Q3 (1 April 2009 through 31 December 2009)

(Unit: thousands of yen)

	Natural resources development & investment	Textile	Food	Total	Elimination or corporate overhead	Consolidated
Sales revenue						
(1) External	64,022	116,035	281,705	461,763	—	461,763
(2) Inter-company	—	—	—	—	—	—
Total	64,022	116,035	281,705	461,763	—	461,763
Operating income	-22,553	3,436	819	-18,298	-256,736	-275,035

(Notes)

1. Business segments are defined according to the categories used in internal management.
2. Main products (including services) of each segment are as follows:
 - (1) Natural resources Business of exploring, developing and producing gas, oil and other natural development & investment resources
 - (2) Textiles Threads for industrial sewing machines and bag sewing machines, emergency sand bags (water gel)
 - (3) Food Fruit and vegetables

(6) Matters regarding Shareholders' equity
 End of Q3 of FY2009 (31 December 2009)
 and Q1-Q3 of FY2009 (1 April 2009 through 31 December 2009)

1. Matters regarding outstanding shares

Type of shares	End of FY09 Q3
Common shares	610,693,000

2. Matters regarding treasury shares

Type of shares	End of FY09 Q3
Common shares	23,038

3. Matters regarding stock subscription rights and others

Issuer	Breakdown	Type of shares corresponding to warrants	Thousand of shares corresponding to warrants				Remaining balance at the end of FY09 Q2 (JPY '000)
			End of FY08	Inc.	Dec.	End of FY09 Q2	
The Company	No. 2 Warrants (stock option)	Common shares	—	—	—	—	—
	No. 3 Warrants	Common shares	90,000	—	88,000	2,000	53
	No. 4 Warrants	Common shares	—	220,000	220,000	—	—
	No. 5 Warrants	Common shares	—	267,600	—	267,600	4,455
Total		—	90,000	487,600	308,000	269,600	4,508

4. Matters regarding dividend payments: N/A

5. Material changes in the Shareholders' equity

In the 64th annual general meeting of shareholders held on 24 June 2009, "Reduction of Capital and Capital Reserve" and "Disposition of Capital Surplus" have been approved and passed, and effective 2 July 2009, Capital and Capital Reserve have reduced by JPY 7,796,474 thousand and JPY 37,500 thousand, respectively.

The Company issued total of 90 warrants convertible into 90,000,000 shares (No. 3 Warrants) on 16 March 2009 by third party allotment. In Q1-Q3 FY2009, 88 warrants were exercised and converted to 88,000,000 shares. Consequently on 25 December 2009, the Company has issued 81,293,000 shares by a third party allotment.

As a result, Paid-in capital has decreased by JPY 7,411,716 thousand to JPY 518,663 thousand and Capital Reserve has increased by JPY 347,258 thousand to JPY 384,758 thousand.

6. Material subsequent events

(1) Changes in status of a subsidiary and affiliates in the IB Daiwa Group

On 1 February 2010, the Company has entered an agreement to settle, waive and release certain claims, liabilities and obligations arising in respect of a series of collateralised financing arrangements originally entered in June 2008 with ADM Galleus Fund Limited in consideration for the transfer of sole, absolute, legal and beneficial title to the Company's shares in ASSGJP1 to ADM together with other properties held by ASSGJP1 and secured in favour of ADM comprising 193,695,929 shares representing 28.65% of the issued share capital of Leed. Subsequently on 12 February 2010, a series of the transactions have been completed, and ASSGJP1 and Leed, as well as ADM Loan (balance at the end of Q3 FY09: JPY 5,403 million) have been all removed from the Company's consolidated balance sheet.

A series of transactions completed include the followings:

- The Company has vested sole, absolute, legal and beneficial title to the shares in ASSGJP1 to ADM, upon which both the assets held by ASSGJP1 (incl. Leed Shares) and the liabilities held by ASSGJP1 (incl. ADM Loan) will be deconsolidated.
- The Company has paid US\$350,000 to ASSGJP, and ASSGJP1 has used these funds to partially repay ADM Loan.
- The Company has been released from its obligations to pay to ADM up to US\$500,000 of Lodore Future Profits. Lodore has been released from its obligations to repay its debts owing to ASSGJP1.
- ADM's nominee directors to the board of directors of the Company, Mr Stephen Fleming and Mr Robert Appleby has tendered their resignations from the Company and other IB Daiwa group companies.

The series of the transactions have resulted in significant decreases both in the IB Daiwa Group's total assets and its total liabilities, and the IB Daiwa Group's recognition of extraordinary gain (Gain on Discharge of Liabilities) of approx. JPY 3,600 million as well as extraordinary loss (Loss on sale of affiliates) of approx. JPY 3,000 million.

(2) Short-term loan to Leeocta Alliance Mineral Resources, Inc. ("Leeocta")

Dated 5 February 2010, the Company has entered into a loan agreement with Leeocta in relation to the Company's short-term loan of US\$200,000 to Leeocta ("Loan"), and also a consultancy agreement with Leeocta, pursuant to which the Company shall provide industry advices and make introductions to Leeocta for an agreed rate of fees.

Through Grupo Minero Leeocta JGMG S.A., a Mexico corporation and a wholly-owned subsidiary of Leeocta, Leeocta owns iron ore mines in Mexico. At the mines, although it is still in small volume, production has already commenced, and sale of iron ore to a major Chinese steel company on a spot basis will likely commence in late February or a little later. The Loan has been provided to help Leeocta preparing for the sale to the Chinese company.

It has been agreed that a part of the proceeds from the sale of iron ore to the Chinese company will be used for Leeocta to repay the Loan.