

4. Consolidated Financial Statements (Interim)

4-1 Consolidated Balance Sheet (Interim)

(Unit: Thousands of yen, Round down)

	Note	September 30, 2005		September 30, 2006		March 31, 2006				
		Thousands of yen	%	Thousands of yen	%	Thousands of yen	%			
Assets										
I Current assets										
1 Cash and cash equivalents			2,935,154		2,060,808			1,946,363		
2 Accounts receivable			3,632,215		3,949,713			4,051,301		
3 Inventories			43,219		11,092			23,199		
4 Others			440,154		768,157			787,842		
5 Allowance for doubtful accounts			(30,417)		(25,185)			(29,905)		
Total current assets			7,020,326	37.4	6,764,586	40.8		6,778,802	35.8	
II Property and equipment										
1 Tangible fixed assets	*1		319,902	1.7	307,177	1.9		314,239	1.6	
2 Intangible fixed assets:										
(1) Software		686,242			599,658			692,842		
(2) Conso. Adjustment accounts		74,007			-			-		
(3) Goodwill		6,105,643			-			6,157,484		
(4) Goodwill		-			5,917,427			-		
(5) Others		140,538	7,006,432	37.4	213,891	6,730,977	40.6	311,337	7,161,665	37.8
3 Investment and other assets:										
(1) Investment securities		3,300,403			1,547,163			3,430,311		
(2) Deposit with landlord		430,361			454,274			451,594		
(3) Others		681,433			766,702			820,873		
(4) Allowance for doubtful accounts		(3,202)	4,408,995	23.5	-	2,768,140	16.7	-	4,702,779	24.8
Total property and equipment			11,735,330	62.6		9,806,295	59.2	12,178,684	64.2	
Total Assets			18,755,656	100.0		16,570,881	100.0	18,957,486	100.0	

(Unit: Thousands of yen, Round down)

	Note	September 30, 2005		September 30, 2006		March 31, 2006	
		Thousands of yen	%	Thousands of yen	%	Thousands of yen	%
Liabilities							
I Current liabilities							
1 Accounts payable		1,496,182		1,666,526		1,597,519	
2 Short-term debt		300,385		2,654,855		244,747	
3 Accrued expenses	*2	3,272,072		417,792		2,870,721	
4 Accrued income taxes		376,071		34,404		295,156	
5 Bonus payment reserve		40,090		94,924		63,971	
6 Others		152,029		188,402		222,106	
Total current liabilities		5,636,830	30.1	5,056,906	30.5	5,294,222	28.0
II Long-term liabilities							
1 Corporate bond		75,000		370,500		379,477	
2 Long-term debt		160,675		104,733		112,237	
3 Reserve for employee's retirement benefit		22,239		18,948		22,327	
4 Others		2,072		-		1,511	
Total fixed debt		259,986	1.4	494,182	3.0	515,553	2.7
Total liabilities		5,896,817	31.5	5,551,088	33.5	5,809,776	30.7
Minority interests							
Minority interests		402,881	2.2	-	-	723,331	3.8
Shareholders' Equity							
I Common stock		5,426,925	28.9	-	-	5,451,700	28.8
II Additional paid-in capital		5,483,621	29.2	-	-	5,508,395	29.1
III Retained earnings		1,692,441	9.0	-	-	1,450,860	7.6
IV Unrealized gain in available-for-sale securities		5,424	0.0	-	-	2,829	0.0
V Foreign currency transaction adjustment		(152,454)	(0.8)	-	-	10,592	0.0
Total shareholders' equity		12,455,957	66.3	-	-	12,424,378	65.5
Total		18,755,656	100.0	-	-	18,957,486	100.0
Net Assets							
I Shareholders' equity							
1 Common stock		-	-	5,503,317	33.2	-	-
2 Additional paid-in capital		-	-	5,560,012	33.6	-	-
3 Retained earnings		-	-	(771,358)	(4.7)	-	-
Total shareholders' equity		-	-	10,291,971	62.1	-	-
II Valuation and translation adjustments							
1 Unrealized gain in available-for-sale securities		-	-	10,316	0.0	-	-
2 Foreign currency translation		-	-	(56,132)	(0.3)	-	-

adjustments										
Total valuation and translation adjustments			-	-		(45,816)	(0.3)		-	-
III Subscription right			-	-		3,555	0.0		-	-
IV Minority interests			-	-		770,082	4.7		-	-
Total net assets			-	-		11,019,793	66.5		-	-
Total			-	-		16,570,881	100.0		-	-

4-2 Consolidated Income Statements (Interim)

(Unit: Thousands of yen, Round down)

	Note	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)			Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)			FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)		
		Thousands of yen		%	Thousands of yen		%	Thousands of yen		%
I Net Sales			6,819,804	100.0		8,450,215	100.0		15,089,011	100.0
II Cost of sales			4,508,425	66.1		4,884,096	57.8		9,526,737	63.1
Gross Profit			2,311,379	33.9		3,566,119	42.2		5,562,274	36.9
III Selling, general and administrative expenses	*1		2,290,054	33.6		3,221,017	38.1		5,809,444	38.5
Operating Income			21,325	0.3		345,102	4.1		(247,169)	(1.6)
IV Non-operating income										
1 Interest received		24			170			7,976		
2 Equity in net gain of an affiliate		20,303			-			35,466		
3 Foreign exchange gain		56,207			-			301,744		
4 Others		4,572	81,108	1.2	346	516	0.0	7,749	352,936	2.3
V Non-operating expenses										
1 Interest paid		4,098			63,384			33,999		
2 Trust expenses for subscription rights		11,512			-			14,503		
3 Share issue expenses		19,411			-			18,720		
4 Foreign currency transaction gain		-			326,452			-		
5 Equity in net gain of an affiliate		-			1,900,976			-		
6 Others		2,553	37,575	0.6	-	2,290,813	27.1	2,639	69,863	0.5
Ordinary Profit			64,858	0.9		(1,945,195)	(23.0)		35,903	0.2
VI Extraordinary profit										
1 Gain on sale of investment securities		853,112			-			-		
2 Equity in net gain of an affiliate		-			-			853,112		
3 Gain on change of equity		-	853,112	12.5	738	738	0.0	-	853,112	5.7
VII Extraordinary loss										
1 Loss on sale of tangible fixed assets	*2	1,040			-			7,639		
2 Loss on sales of associated company account		-			-			96,369		
3 Software reevaluation loss		52,217			47,864			79,713		
4 Loss on change in ownership ratio		39,252			-			45,521		
5 Restructuring expenses	*3	108,668			-			108,227		
6 Write-down of consolidation adjustment account		330,532			-			396,317		
7 Others		-	531,711	7.8	11,062	58,927	0.7	76,262	810,051	5.4
Income Before Income Taxes and minority Interests			386,259	5.6		(2,003,384)	(23.7)		78,964	0.5

Income Taxes		355,223			17,306			623,861		
Prior Year income taxes		-			40,844			-		
Prior Year Adjustments of income taxes		79,109	434,332	6.4	98,650	156,801	1.8	(168,802)	455,058	3.0
Profit (Loss) on minority interests			(146,047)	(2.2)		23,494	0.3		(232,486)	1.5
Net Income (Loss)			97,973	1.4		(2,183,680)	(25.8)		(143,607)	(1.0)

Sales by Operations

(Unit: Thousands of yen, Round down)

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)		Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)		FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)	
	thousands of yen	%	thousands of yen	%	thousands of yen	%
Mobile Contents Business	5,142,379	75.4	5,739,900	67.9	10,808,843	71.6
Marketing Solution Business	1,571,829	23.1	1,229,671	14.6	3,074,011	20.4
E-Commerce Business	101,805	1.5	154,453	1.8	253,729	1.7
Advertising Business	1,025	0.0	69,697	0.8	67,326	0.4
Investment Business	-	-	143,135	1.7	-	-
International Business	2,764	0.0	1,113,356	13.2	885,101	5.9
Total	6,819,804	100.0	8,450,215	100.0	15,089,011	100.0

Note) Consumption tax is not included in the sum mentioned above

4-3 Consolidated Statement of Changes in Shareholders' Equity (Interim)

Interim of FY ending March 31, 2007 (From April 1, 2006 to September 30, 2006)(Unit: thousands of yen, round down)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total
Balance at March 31, 2006	5,451,700	5,508,395	1,450,860	12,410,956
Changes				
Share issue	51,616	51,616	-	103,233
Cash dividend	-	-	(38,538)	(38,538)
Net income	-	-	(2,183,680)	(2,183,680)
Net increase (decrease) except for items under shareholders' equity	-	-	-	-
Total	51,616	51,616	(2,222,218)	(2,118,985)
Balance at September 30, 2006	5,503,317	5,560,012	(771,358)	10,291,971

(Unit: thousands of yen, round down)

	Valuation / Translation Adjustment			Subscription right	Minority interests	Total
	Unrealized gain in available-for-sale securities	Foreign currency translation adjustments	Total			
Balance at March 31, 2006	2,829	10,592	13,422	-	723,331	13,147,710
Changes						
Share issue	-	-	-	-	-	103,232
Cash dividend	-	-	-	-	-	(38,538)
Net income	-	-	-	-	-	(2,183,680)
Net increase (decrease) except for items under shareholders' equity	7,486	(66,725)	(59,238)	3,555	46,751	(8,932)
Total	7,486	(66,725)	(59,238)	3,555	46,751	(2,127,917)
Balance at September 30, 2006	10,316	(56,132)	(45,816)	3,555	770,082	11,019,793

4-4 Consolidated Statement of Retained Earnings (Interim)

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)		Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)		FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)	
	Thousands of yen		Thousands of yen		Thousands of yen	
Additional paid-in capital:						
I Balance at the beginning of period		3,324,110		-		3,324,110
II Increase in additional paid-in capital						
1. Increase due to share issuance	2,159,510	2,159,510	-	-	2,184,285	2,184,285
III Balance at the end of period		5,483,621		-		5,508,395
Retained earnings:						
I Balance at the beginning of period		1,663,353		-		1,663,353
II Increase in retained earnings						
1. Net income (loss) for the interim period	97,973	97,973	-	-	(143,607)	(143,607)
III Decrease in retained earnings						
1. Dividend	68,886	68,886	-	-	68,886	68,886
IV Decrease in retained earnings		1,692,441		-		1,450,860

4-5 Consolidated Cash Flow Statements (Interim)

(Unit: Thousands of yen, Round down)

	Note	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
		thousands of yen	thousands of yen	thousands of yen
I Operating activities:				
1		386,259	(2,003,384)	78,964
2		220,113	253,436	766,399
3		-	188,137	-
4		338,755	-	412,763
5		108,668	-	108,227
6		(2,726)	(4,720)	(6,440)
7		(102,725)	30,953	(77,754)
8		(10,052)	(3,378)	(9,963)
9		(24)	(170)	(7,976)
10		4,098	63,384	33,999
11		(20,303)	1,900,976	(35,466)
12		(853,112)	-	(853,112)
13		-	-	96,369
14		1,040	-	7,639
15		52,217	47,864	79,713
16		39,252	(738)	45,521
17		94,028	88,533	(332,100)
18		19,513	12,107	39,533
19		(107,147)	73,744	(21,961)
20		(170,503)	(259,898)	(649,791)
21		(59,562)	258,587	(100,434)
	Total	(62,210)	645,435	(425,869)
22		24	170	7,484
23		14,857	17,333	14,857
24		(4,524)	(63,881)	(32,781)
25		(854,065)	(324,198)	(1,191,970)
Cash flow from operating activities		(905,919)	274,858	(1,628,280)
II Investing activities:				
1		15,741	(629)	15,992
2		(58,583)	(68,546)	(117,140)
3		(308,050)	(208,288)	(769,543)
4		-	7,000	-
5		(939,660)	-	(1,067,660)
6		994,000	50,665	994,000
7	*1	(3,683,832)	-	(3,825,751)
8		-	(2,310,438)	-
9	*2	-	-	(112,278)
10		-	-	75,049
11		(58,029)	(3,249)	(88,001)
12		2,438	300	2,838

13 Others		48,748	(56,544)	(26,942)
Cash flow from investing activities		(3,987,227)	(2,589,730)	(4,919,438)
III Financing activities:				
1 Proceeds from short-term debt		80,000	2,680,438	200,000
2 Repayment of short-term debt		(43,998)	(290,006)	(203,994)
3 Proceeds from long-term debt		200,000	30,000	200,000
4 Repayment of long-term debt		(52,148)	(57,137)	(116,228)
5 Proceeds from issuance of new bonds		-	-	319,224
6 Expenditure for bond redemption		(25,000)	(25,000)	(50,000)
7 Proceeds from issuance of new shares		4,299,608	103,233	4,349,850
8 Proceeds from subscription for stock by minority shareholders		40,000	25,000	435,000
9 Dividends payment		(69,138)	(34,762)	(69,429)
Cash flow from financing activities		4,429,324	2,431,765	5,064,422
IV Foreign currency translation adjustment of cash and cash equivalents		(103,685)	(3,077)	(72,752)
V Increase (decrease) in cash and cash equivalents		(567,507)	113,816	(1,556,047)
VI Cash and cash equivalents at the beginning of period		3,253,984	1,697,936	3,253,984
VII Cash and cash equivalents at the end of period		2,686,477	1,811,752	1,697,936

Notes to Consolidated Financial Statements

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
1 Basis of Consolidation	<p>(1)Number of Consolidated Companies: 6 Names of Consolidated Companies GiGAFLOPS Japan Inc. C&T Mobile Support Co., Ltd. AXISSOFT Corporation CYB INVESTMENT INC. Airborne Entertainment Inc. PLUS MOBILE COMMUNICATIONS Co., Ltd. CYB INVESTMENT INC.and PLUS MOBILE COMMUNICATIONS Co., Ltd., were newly established during the accounting period under review, and therefore have been included in the scope of consolidation for the interim period.</p> <p>The shares of Airborne Entertainment Inc.were acquired through CYB INVESTMENT INC.and were included in the scope of consolidation for the interim accounting period under review. However, because the deemed acquisition date is the final day of the interim accounting period, only the interim balance sheet has been consolidated.</p>	<p>(1) Number of Consolidated Companies: 9 Names of Consolidated Companies GiGAFLOPS Japan Inc. C&T Mobile Support Co., Ltd. AXISSOFT Corporation CYB INVESTMENT INC. Airborne Entertainment Inc. Cellus U.S.A., INC. PLUS MOBILE COMMUNICATIONS Co., Ltd. CYBIRD International Partners Inc. CYBIRD Plus Mobile Fund Investment Business Limited Partnership</p>	<p>(1) Number of Consolidated Companies: 9 Names of Consolidated Companies GiGAFLOPS Japan Inc. C&T Mobile Support Co., Ltd. AXISSOFT Corporation CYB INVESTMENT INC. Airborne Entertainment Inc. Cellus U.S.A., INC. PLUS MOBILE COMMUNICATIONS Co., Ltd. CYBIRD International Partners Inc. CYBIRD Mobilecasting Inc. CYBIRD Plus Mobile Fund Investment Business Limited Partnership C&T MOBILE SUPPORT CO., LTD., which was included in consolidation in the previous fiscal year, has been removed from consolidation because of the sale of its shares. However, for the period from April 1, 2005 to March 31, 2006 (deemed date of sale), the company's earnings, retained earnings, and cash flow statements have been consolidated.</p> <p>CYB INVESTMENT INC., PLUS MOBILE COMMUNICATIONS Co., Ltd., CYBIRD Investment Partners Inc., CYBIRD Mobilecasting Inc., and CYBIRD Plus Mobile Fund Investment Business Limited Partnership were newly established during the accounting period under review, and therefore have been included in the scope of consolidation for the interim period.</p> <p>The shares of Airborne Entertainment Inc. were acquired through CYB INVESTMENT INC. and were included in the scope of consolidation for the interim accounting period under review.</p>
	<p>(2)Names of Significant Non-consolidated Subsidiaries</p> <p>Not applicable</p>	<p>(2) Names of Significant Non-consolidated Subsidiaries</p> <p>See left</p>	<p>(2) Names of Significant Non-consolidated Subsidiaries</p> <p>See left</p>
2 Equity Method	<p>(1)The Company has no unconsolidated subsidiaries accounted for by the equity method.</p> <p>(2) Number of affiliates accounted for by the equity method: 2</p> <p>Names of companies accounted for by the equity method: DMOVE Co., Ltd. JIMOS CO., LTD.</p> <p>Since additional acquisition of shares of JIMOS has pushed the Company's holding beyond 20%,</p>	<p>(1) See left</p> <p>(2) Number of affiliates accounted for by the equity method: 2</p> <p>Names of companies accounted for by the equity method: DMOVE Co., Ltd. JIMOS CO., LTD.</p>	<p>(1) See left</p> <p>(2) Number of affiliates accounted for by the equity method: 2</p> <p>Names of companies accounted for by the equity method: DMOVE Co., Ltd. JIMOS CO., LTD.</p> <p>Since additional acquisition of shares of JIMOS has pushed the Company's holding beyond 20%, JIMOS has</p>

	<p>JIMOS has been made an affiliate accounted for by the equity method.</p> <p>Due to the sale of shares of K Lab Inc., the company is no longer accounted for by the equity method. Until the deemed date of sales of the shares, however, the company's losses were included in consolidation.</p> <p>(3)The Company has no affiliates not accounted for by the equity method and no unconsolidated subsidiaries.</p> <p>(4)Reason for not applying equity method to unconsolidated companies</p> <p>Not applicable</p> <p>(5)Matters that should be especially noted with regard to application of equity method:</p> <p>Among companies accounted for by the equity method, JIMOS CO., LTD., has its interim period end on December 31. In the preparation of the consolidated financial statements, therefore, a balance sheet of the most recent interim period was used.</p>		<p>been made an affiliate accounted for by the equity method.</p> <p>Due to the sale of shares of K Lab Inc., the company is no longer accounted for by the equity method. Until the deemed date of sales of the shares, however, the company's losses were included in consolidation.</p> <p>(3) See left</p> <p>(4) Reason for not applying equity method to unconsolidated companies</p> <p>See left</p> <p>(5) Matters that should be especially noted with regard to application of equity method:</p> <p>Among companies accounted for by the equity method, JIMOS CO., LTD., has its interim period end on December 31. In the preparation of the consolidated financial statements, therefore, a balance sheet of the most recent interim period was used. Important events subsequent to the end of JIMOS's interim period have been included in application of the equity method as necessary.</p>
<p>3 Interim (fiscal) account date of Consolidated Subsidiaries</p>	<p>Among consolidated subsidiaries, the accounting closing date for the interim periods of CYB INVESTMENT INC. and its consolidated subsidiary Airborne Entertainment Inc. is June 30. In preparing the interim consolidated balance sheet, an interim consolidated balance sheet of CYB INVESTMENT was used. The consolidated statements have been adjusted for any material transactions that occurred subsequent to the subsidiary's interim closing date and the end of the consolidated interim period.</p> <p>The account closing dates for the interim period of all other consolidated subsidiaries are the same as the parent company</p>	<p>Among consolidated subsidiaries, the accounting closing date for the interim periods of CYB INVESTMENT INC. and its consolidated subsidiary Airborne Entertainment Inc., Cellus U.S.A.,INC., and CYBIRD Plus Mobile Fund Investment Business Limited Partnership is June 30. In preparing the interim consolidated balance sheet, an interim consolidated balance sheet of CYB INVESTMENT was used. The consolidated statements have been adjusted for any material transactions that occurred subsequent to the subsidiary's interim closing date and the end of the consolidated interim period.</p> <p>For CYBIRD Plus Mobile Fund Investment Business Limited Partnership, a trial balance was taken on September 30 to be used in consolidation. The account closing dates for the interim period of all other consolidated subsidiaries are the same as the parent company.</p>	<p>Among consolidated subsidiaries, the accounting closing date for the fiscal year end of CYB INVESTMENT INC. and its consolidated subsidiary Airborne Entertainment Inc. is December 31. In preparing the year-end consolidated balance sheet, a year-end consolidated balance sheet for CYB INVESTMENT was used. The consolidated statements have been adjusted for any material transactions that occurred subsequent to the subsidiary's fiscal closing date and the end of the consolidated fiscal year.</p> <p>For CYBIRD Plus Mobile Fund Investment Business Limited Partnership, a trial balance was taken on March 31 to be used in consolidation. The account closing dates for the fiscal year end of all other consolidated subsidiaries are the same as the parent company.</p>
<p>4. Summary of Significant Accounting Policies</p> <p>(1) Asset Valuation Standards and Methods</p>	<p>a. Securities</p> <p>Other Securities</p> <p>Marketable securities: Valuation at cost at fair value at the end of this interim, with unrealized gains and</p>	<p>a. Securities</p> <p>Other Securities</p> <p>Marketable securities: Valuation at cost at fair value at the end of this interim, with unrealized gains and</p>	<p>a. Securities</p> <p>Other Securities</p> <p>Marketable securities: Valuation at cost at fair value at the end of this interim, with unrealized gains and</p>

	<p>losses, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.</p> <p>Non-marketable securities: stated at cost determined by the moving-average method.</p> <p>Investment in investment business limited partnerships and equivalent investment partnerships (deemed marketable securities under Article 2, Paragraph 2 of the Securities and Exchange Law):</p>	<p>losses, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.</p> <p>Non-marketable securities:</p> <p>See left</p> <p>Investment in investment business limited partnerships and equivalent investment partnerships (deemed marketable securities under Article 2, Paragraph 2 of the Securities and Exchange Law):</p> <p>The amount equivalent to equity portion determined based on the most recent financial statements available prepared according with the financial report date designated in the partnership agreement.</p>	<p>losses, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.</p> <p>Non-marketable securities:</p> <p>See left</p> <p>Investment in investment business limited partnerships and equivalent investment partnerships (deemed marketable securities under Article 2, Paragraph 2 of the Securities and Exchange Law):</p>
	<p>b. Derivative</p> <p>Valuation at cost at fair</p>	<p>b. Derivative</p> <p>See left</p>	<p>b. Derivative</p> <p>See left</p>
	<p>c. Inventories</p> <p>- Merchandise</p> <p>Valuation at cost by the moving-average cost method</p> <p>- Work in Process</p> <p>Valuation at cost by the identified cost method</p>	<p>c. Inventories</p> <p>- Merchandise</p> <p>See left</p> <p>- Work in Process</p> <p>See left</p>	<p>c. Inventories</p> <p>- Merchandise</p> <p>See left</p> <p>- Work in Process</p> <p>See left</p>
(2) Depreciation Method for Depreciable Asset	<p>a. Tangible Fixed Asset</p> <p>Building was valued at the straight-line method. Other tangible fixed asset was valued at the declining-balance method.</p> <p>Useful lives : Leasehold improvements 8 to 50 years</p> <p>Furniture and fixtures 5 to 6 years</p>	<p>a. Tangible Fixed Asset</p> <p>See left</p>	<p>a. Tangible Fixed Asset</p> <p>See left</p>
	<p>b. Intangible Fixed Asset</p> <p>Software (in-house use).</p> <p>Valued at the straight-line method, based on a useful life of 3 to 5 years.</p>	<p>b. Intangible Fixed Asset</p> <p>See left</p>	<p>b. Intangible Fixed Asset</p> <p>See left</p>
	<p>Goodwill</p> <p>Goodwill is amortized on a straight-line basis over 2 years to 12 years depending on the accounting standards of the country of residency. However, of total amount of goodwill amount recorded for U.S. consolidated subsidiaries, the portion other than intangible fixed assets—which can be recognized separately—is not being amortized, in accordance with Statement No. 142 of the Financial Accounting Standards Board of the United States.</p>	<p>Goodwill</p> <p>Goodwill is amortized on a straight-line basis over 2 years to 12 years depending on the accounting standards of the country of residency. However, of total amount of goodwill amount recorded for U.S. consolidated subsidiaries, the portion other than intangible fixed assets—which can be recognized separately—is not being amortized, in accordance with Statement No. 142 of the Financial Accounting Standards Board of the United States.</p>	<p>Goodwill</p> <p>Goodwill is amortized on a straight-line basis over 2 years to 12 years depending on the accounting standards of the country of residency. However, of total amount of goodwill amount recorded for U.S. consolidated subsidiaries, the portion other than intangible fixed assets—which can be recognized separately—is not being amortized, in accordance with Statement No. 142 of the Financial Accounting Standards Board of the United States.</p>
(3) Accounting	<p>a. New share issuing expenses</p>	<p>a. New share issuing expenses</p>	<p>a. New share issuing expenses</p>

Methods for Deferred Assets	All new share issuing expenses are expensed at time of disbursement.	See left	See left
(4) Allowance or Reserve	<p>a. Allowance for Doubtful Accounts</p> <p>The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.</p> <p>b. Bonus Payment Reserve</p> <p>The bonus payment reserve is stated in amounts considered to be payable based on the amount of bonus forecast.</p> <p>c. Allowance for Retirement Benefits</p> <p>For a portion of domestic consolidated subsidiaries, in preparation to pay retirement benefits owed employees, the Company books amounts recognized as payable at the end of the interim period based on the expected retirement benefit obligations at the end of the interim period.</p>	<p>b. Share exchange expenses</p> <p>Fully expensed at time of payment</p> <p>a. Allowance for Doubtful Accounts</p> <p>See left</p> <p>b. Bonus Payment Reserve</p> <p>See left</p> <p>c. Allowance for Retirement Benefits</p> <p>See left</p>	<p>a. Allowance for Doubtful Accounts</p> <p>See left</p> <p>b. Bonus Payment Reserve</p> <p>To create a reserve for bonus payments to employees, the portion of bonus payments forecast for the following consolidated fiscal year that is ascribed to the current fiscal year is booked to the reserve</p> <p>c. Allowance for Retirement Benefits</p> <p>For a portion of domestic consolidated subsidiaries, in preparation to pay retirement benefits owed employees, the Company books amounts recognized as payable at the end of the fiscal year based on the expected retirement benefit obligations at the end of the fiscal period.</p>
(5) Converting Significant Foreign Currency-Denominated Assets and Liabilities to Japanese Yen	<p>Foreign currency denominated assets and liabilities are converted into Japanese yen at the spot exchange rate on the accounting settlement date of the interim period, and any differences with book value are charged as income or loss.</p> <p>The assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot exchange rate on the day on which the interim period of the relevant subsidiary ends, and translation differences are included in translation adjustments in shareholders' equity.</p>	<p>Foreign currency denominated assets and liabilities are converted into Japanese yen at the spot exchange rate on the accounting settlement date of the interim period, and any differences with book value are charged as income or loss.</p> <p>The assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot exchange rate on the day on which the interim period of the relevant subsidiary ends, while income and expenses are converted using the average spot rate for the interim period. Translation differences are included in translation adjustments and in minority interests.</p>	<p>Foreign currency denominated assets and liabilities are converted into Japanese yen at the spot exchange rate on the accounting settlement date of the fiscal year, and any differences with book value are charged as income or loss.</p> <p>The assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot exchange rate on the day on which the fiscal year of the relevant subsidiary ends, while income and expenses are converted using the average spot rate for the fiscal year. Translation differences are included in translation adjustments and in minority interests</p>
(6) Accounting for Significant Lease Transactions	With the exception of leases in which ownership is deemed to have been transferred to the lessee, financial lease transitions are accounted for as an ordinary credit transaction.	See left	See left
(7) Other Material Items in the Preparation of the Interim (Consolidated) Balance Sheets	<p>Accounting for consumption tax</p> <p>The exclusion method is employed.</p>	<p>Accounting for consumption tax</p> <p>See left</p>	<p>Accounting for consumption tax</p> <p>See left</p>
(8) Summary of Principle Differences in Accounting Standards of Parent Company and Consolidated	Consolidated subsidiary CYB INVESTMENT INC. is a U.S. corporation and follows U.S. accounting standards in the presentation of the interim period financial statements. The subsidiary	Consolidated subsidiary CYB INVESTMENT INC. is a U.S. corporation and follows U.S. accounting standards in the presentation of the interim period financial statements. The subsidiary	Consolidated subsidiary CYB INVESTMENT INC. is a U.S. corporation and follows U.S. accounting standards in the presentation of its fiscal financial statements. The subsidiary uses a

Subsidiaries	uses a partial market value assessment method for the evaluation of its assets and liabilities. For differences in investment (goodwill), the subsidiary does not amortize those portions of goodwill that cannot be recognized as intangible fixed assets in accordance with U.S. FASB Statement No. 142.	uses a partial market value assessment method for the evaluation of its assets and liabilities. For differences in investment (goodwill), the subsidiary does not amortize those portions of goodwill that cannot be recognized as intangible fixed assets in accordance with U.S. FASB Statement No. 142.	partial market value assessment method for the evaluation of its assets and liabilities. For differences in investment (goodwill), the subsidiary does not amortize those portions of goodwill that cannot be recognized as intangible fixed assets in accordance with U.S. FASB Statement No. 142.
5 Cash and Cash Equivalents in Interim Consolidated Cash Flow Statements	Cash (Cash and Cash Equivalents) in the Consolidated Cash Flow Statements for the interim period consists of cash on hand and deposits that can be withdrawn reasonably quickly or converted to cash and short-term investments that have only minor exposure to price fluctuations and their periods of redemption are within 3 months for the date of acquisition.	See left	Cash (Cash and Cash Equivalents) in the fiscal year end Consolidated Cash Flow Statements consists of cash on hand and deposits that can be withdrawn reasonably quickly or converted to cash and short-term investments that have only minor exposure to price fluctuations and their periods of redemption are within 3 months for the date of acquisition.

Change of notes to Consolidated Financial Statements

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
Fixed Asset Impairment Accounting Standards	Beginning with the interim period under review, fixed asset impairment accounting standards (Opinion on Accounting Standards for Impairment of Fixed Assets, Business Accounting Council, August 9, 2002) and Guidelines for Practical Application of Accounting Standards for Impairment of Fixed Assets (Business Accounting Council No.6, October 31, 2003)) have been adopted. Implementation of the new accounting standards had no impact on profits for the period.	-	Beginning with the interim period under review, fixed asset impairment accounting standards (Opinion on Accounting Standards for Impairment of Fixed Assets, Business Accounting Council, August 9, 2002) and Guidelines for Practical Application of Accounting Standards for Impairment of Fixed Assets (Business Accounting Council No.6, October 31, 2003)) have been adopted. Implementation of the new accounting standards had no impact on profits for the period.
Accounting Standards for the Presentation of Shareholders' Equity in the Balance Sheets	-	Commencing with the interim period under review, "Accounting Standards for the Presentation of Shareholders' Equity on the Balance Sheets (Business Accounting Standards No. 5, December 9, 2005) and "Practical Guidelines on Accounting Standards for the Presentation of Shareholders' Equity on the Balance Sheets (Practical Guidance on Business Accounting Standards No. 8, December 9, 2005) are being applied. Using the previous method, total shareholders' equity would amount to ¥10,246,154,000. Based on the revision of the rules for presenting the interim consolidated financial statements, the presentation of shareholders' equity for the Interim Consolidated Balance Sheets has been prepared using the rules for presenting the interim consolidated financial statements following their revision.	-
Accounting Standards for Stock Options	-	Commencing with the interim period under review, "Accounting Standards for Stock Options (Business Accounting Standards No. 8, December 27, 2005) and "Practical Guidelines on Accounting Standards for Stock Options (Practical Guidance on Business Accounting Standards No. 11, May 31, 2006) are being applied. As a result of this application, operating income, ordinary income, and net income for the interim period under review are ¥3,555,000 lower compared with the previous accounting methods.	-

Changes in Presentation Method

Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)
<p>(Interim Consolidated Balance Sheet)</p> <p>Because Long-term Loans (At the end of the previous interim period, ¥2,928,000) included under Others in Property and equipment in the previous interim period have become more material, they are being presented as a separate item starting with the interim period under review.</p> <p>(Interim Consolidated Income Statements)</p> <p>Because Translation Gains (At the end of the previous interim period, ¥192,000) included under Others in Nonoperating Income and Expenses in the previous interim period exceeded 10% of total nonoperating income, they are being presented as a separate item starting with the interim period under review.</p> <p>Because New Share Issuing Expenses (At the end of the previous interim period, ¥94,000) included under Others in Nonoperating Income and Expenses in the previous interim period exceeded 10% of total nonoperating expenses, they are being presented as a separate item starting with the interim period under review.</p>	<p>(Interim Consolidated Balance Sheet)</p> <p>Starting from the interim period under review, the concession has been stated as "goodwill" according to the revised rule of Interim Consolidated Financial Statements.</p> <p>(Interim Consolidated Income Statements)</p> <p style="text-align: center;">-----</p>

Notes

Notes for Consolidated Balance Sheet

(Millions of yen: round down)

September 30, 2005	September 30, 2006	March 31, 2006
<p>1. Accumulated depreciation of tangible fixed assets</p> <p style="text-align: right;">245</p>	<p>1. Accumulated depreciation of tangible fixed assets</p> <p style="text-align: right;">290</p>	<p>1. Accumulated depreciation of tangible fixed assets</p> <p style="text-align: right;">250</p>
<p>2. Advances and arrears at end of term included ¥2,260 million advanced to CYB INVESTMENT INC by CYBIRD for the purchase of stock of Airborne Entertainment Inc.</p>	<p>-</p>	<p>2. Advances and arrears at end of term included ¥2,350 million advanced to CYB INVESTMENT INC by CYBIRD for the purchase of stock of Airborne Entertainment Inc.</p>
<p>3. Current account overdraft agreement</p> <p>To enable the effective financing of operating funds and to prepare for payment on the advances to its subsidiary CYB INVESTMENT INC for the acquisition of Airborne Entertainment Inc., CYBIRD concluded a current account draft agreement with five banks that it does business with.</p> <p>The overdraft balance on the current account overdraft agreement at the end of the fiscal year under review was as follows.</p> <p>Overdraft ceiling ¥6,500 million</p> <p>Current overdraft balance - million yen</p>	<p>3. Current account overdraft agreement</p> <p>To enable the effective financing of operating funds, CYBIRD concluded a current account draft agreement with four banks that it does business with.</p> <p>The overdraft balance on the current account overdraft agreement at the end of the fiscal year under review was as follows.</p> <p>Overdraft ceiling ¥4,500 million</p> <p>Current overdraft balance ¥100 million yen</p>	<p>3. Current account overdraft agreement</p> <p>To enable the effective financing of operating funds and to prepare for payment on the advances to its subsidiary CYB INVESTMENT INC for the acquisition of Airborne Entertainment Inc., CYBIRD concluded a current account draft agreement with four banks that it does business with.</p> <p>The overdraft balance on the current account overdraft agreement at the end of the fiscal year under review was as follows.</p> <p>Overdraft ceiling ¥6,500 million</p> <p>Current overdraft balance - million yen</p>
<p>4. Contingent liability</p> <p>With regard to the acquisition of Airborne Entertainment Inc., the Group plans to pay previous shareholders of the company a beneficial interest in retained earnings up to US\$17 million. Portions from 0% to 100% of this amount will be paid as additional amounts.</p>	<p>4. Contingent liability</p> <p>See left</p>	<p>4. Contingent liability</p> <p>See left</p>

Notes for Consolidated Income Statements

(Millions of yen: round down)

Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
<p>1. Sales, general and administrative expenses</p> <p>Advertisement & general publicity expenses 78</p> <p>Allowance for doubtful accounts 30</p> <p>Employees' salaries 541</p> <p>Charge in bonus payment reserve 20</p> <p>R&D 227</p> <p>Charge and commission 800</p> <p>2. Loss on disposal of properties</p> <p>Software 1</p> <p>3. Restructuring losses</p> <p>Software evaluation by loss on exiting business 86</p> <p>Termination of ongoing advisory fees 9</p> <p>Expenses for revision of call center 12</p>	<p>1. Sales, general and administrative expenses</p> <p>Advertisement & general publicity expenses 104</p> <p>Allowance for doubtful accounts 26</p> <p>Employees' salaries 725</p> <p>Charge in bonus payment reserve 42</p> <p>R&D 465</p> <p>Charge and commission 859</p> <p>2. Loss on disposal of properties -</p> <p>3. Restructuring losses -</p>	<p>1. Sales, general and administrative expenses</p> <p>Advertisement & general publicity expenses 236</p> <p>Allowance for doubtful accounts 29</p> <p>Compensation paid to directors and statutory auditors 270</p> <p>Employees' salaries 1,158</p> <p>Welfare expenses 148</p> <p>Charge in bonus payment reserve 33</p> <p>Traveling and transportation expenses 127</p> <p>R&D 972</p> <p>Charge and commission 1,852</p> <p>2. Loss on disposal of properties</p> <p>Restoration fee 1</p> <p>Software 1</p> <p>Office equipment 4</p> <p>3. Restructuring losses</p> <p>Software evaluation by loss on exiting business 86</p> <p>Termination of ongoing advisory fees 8</p> <p>Expenses for revision of call center 12</p>

(Changes in Capital during the Interim Period)

Interim Period (From April 1, 2006 to September 30, 2006)

Type and total amount of issued shares and type and amount of treasury shares

	Number of shares at end of previous fiscal year (Shares)	Increase in shares during interim period (Shares)	Decrease in shares during interim period (Shares)	Number of shares at end of interim period (Shares)
Issued shares				
Common shares (Note)	230,767	627	-	231,394
Total	230,767	627	-	231,394

Notes: 1. The increase in share issued (627 share) is due to new share issued by the exercise of subscription rights.

Subscription Rights

Category	Subscription Right Class	Type of Shares to be Issued	Number of Shares Represented by Subscription Rights (Shares)				Balance at End of Interim Period (Thousands of Yen)
			Previous Fiscal Year End	Additions in Interim Period	Reductions in Interim Period	End of Interim Period	
Issuer (Parent Company)	FY2002(Note 1)	Common shares	900	-	129	771	-
	FY2003(Note 1)	Common shares	4,446	-	498	3,948	-
	FY2004(Note 2)	Common shares	4,503	-	18	4,485	-
	FY2006(Note 3)	Common shares	-	200	-	200	3,555
Consolidated Subsidiary	-	-	-	-	-	-	-
Total		-	-	-	-	-	3,555

Notes: 1. The reductions in subscription rights for FY2002 and FY2003 are due to the exercise of subscription rights.

2. The reductions in subscription rights for FY2004 are due to the cancellation of subscription rights.

3. The increase in subscription rights for FY2006 is due to the exercise of subscription rights.

Stock Dividends

Amount of Dividends Paid

(Resolution)	Type of Shares	Total Dividend Amount (Yen)	Dividend per Share (Yen)	Date of Record	Effective Date
June 29, 2006 Regular General Meeting of Shareholders	Common shares	38,538,089	167	March 31, 2006	June 29, 2006

Notes for Consolidated Cash Flow Statements

(Millions of yen: round down)

Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
Relationship between Balance of Cash and Cash Equivalents and Items in the Consolidated Balance Sheets	Relationship between Balance of Cash and Cash Equivalents and Items in the Consolidated Balance Sheets	Relationship between Balance of Cash and Cash Equivalents and Items in the Consolidated Balance Sheets
Cash and deposit accounts 2,935	Cash and deposit accounts 2,060	Cash and deposit accounts 1,946
Fixed deposit over three months left (248)	Fixed deposit over three months left (249)	Fixed deposit over three months left (248)
Cash and cash equivalents 2,686	Cash and cash equivalents 1,811	Cash and cash equivalents 1,697
1. Details of the major assets and liabilities of the acquired Airborne Entertainment, now a consolidated subsidiary and the relationship between the acquisition cost of the subsidiary's stock and the amount paid (net) for the acquired subsidiary.	-	1. Details of the major assets and liabilities of the acquired Airborne Entertainment, now a consolidated subsidiary and the relationship between the acquisition cost of the subsidiary's stock and the amount paid (net) for the acquired subsidiary.
Airborne Entertainment Inc.		Airborne Entertainment Inc.
Current assets 571		Current assets 571
Fixed assets 657		Fixed assets 657
Investment Diff. (Goodwill) 5,850		Investment Diff. (Goodwill) 5,878
Current liabilities (1,007)		Current liabilities (1,007)
Fixed liabilities (2)		Fixed liabilities (2)
Minority interest (138)		Minority interest (145)
Airborne purchase cost 5,930		Airborne purchase cost 5,953
Purchase cost arrears (2,212)		Purchase cost arrears (2,357)
Airborne cash and cash equivalents (34)		Airborne cash and cash equivalents (34)
Balance: amount paid for Airborne <u>3,683</u>		Exchange gain 264
		Balance: amount paid for Airborne <u>3,825</u>
		2. Major categories of assets and liabilities of company excluded from consolidation because of sale of shares and relationship between sales price of shares and cost of sale (net amount) of company C&T Mobile Support Co., Ltd.
		Current assets 218
		Property and equipment 46
		Current liabilities (86)
		Long-term liabilities -
		Loss on sales (96)
		C&T Mobile Support Co., Ltd. <u>(96)</u>
		Sales Price 81
		(Net of commission)
		Unpaid commission 10
		Accounts payable on sales (91)
		Cash and cash equivalents <u>(112)</u>
		Balance: amount paid for excluding C&T Mobile Support Co., Ltd. from consolidation (112)

Lease related

(Round down)

Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)																																																
<p>I Finance lease transactions, with which the ownership is not transferred to the lessee</p> <p>1.Pro forma Acquisition cost, Accumulated depreciation and equivalent balance of the leased property</p> <p style="text-align: right;">(millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Balance</th> </tr> </thead> <tbody> <tr> <td>Equipments</td> <td style="text-align: center;">727</td> <td style="text-align: center;">290</td> <td style="text-align: center;">437</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">21</td> <td style="text-align: center;">11</td> <td style="text-align: center;">9</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">748</td> <td style="text-align: center;">301</td> <td style="text-align: center;">446</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Balance	Equipments	727	290	437	Software	21	11	9	Total	748	301	446	<p>Finance lease transactions, with which the ownership is not transferred to the lessee</p> <p>1.Pro forma Acquisition cost, Accumulated depreciation and equivalent balance of the leased property</p> <p style="text-align: right;">(millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Balance</th> </tr> </thead> <tbody> <tr> <td>Equipments</td> <td style="text-align: center;">574</td> <td style="text-align: center;">261</td> <td style="text-align: center;">313</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">33</td> <td style="text-align: center;">13</td> <td style="text-align: center;">19</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">608</td> <td style="text-align: center;">275</td> <td style="text-align: center;">333</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Balance	Equipments	574	261	313	Software	33	13	19	Total	608	275	333	<p>Finance lease transactions, with which the ownership is not transferred to the lessee</p> <p>1.Pro forma Acquisition cost, Accumulated depreciation and equivalent balance of the leased property</p> <p style="text-align: right;">(millions of yen)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Balance</th> </tr> </thead> <tbody> <tr> <td>Equipments</td> <td style="text-align: center;">650</td> <td style="text-align: center;">313</td> <td style="text-align: center;">336</td> </tr> <tr> <td>Software</td> <td style="text-align: center;">24</td> <td style="text-align: center;">14</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">674</td> <td style="text-align: center;">327</td> <td style="text-align: center;">346</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Balance	Equipments	650	313	336	Software	24	14	10	Total	674	327	346
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<p>2.Pro forma equivalent balance of unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">253 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">402 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">655 million yen</td> </tr> </table>	Due within 1 year	253 million yen	Due after 1 year	402 million yen	Total	655 million yen	<p>2.Pro forma equivalent balance of unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">155 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">203 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">358 million yen</td> </tr> </table>	Due within 1 year	155 million yen	Due after 1 year	203 million yen	Total	358 million yen	<p>2.Pro forma equivalent balance of unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">151 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">221 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">373 million yen</td> </tr> </table>	Due within 1 year	151 million yen	Due after 1 year	221 million yen	Total	373 million yen																														
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<p>3.Lease expenses, pro forma equivalent depreciation and interest expense</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Lease expenses</td> <td style="text-align: right;">104 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation expenses</td> <td style="text-align: right;">95 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Interest expenses</td> <td style="text-align: right;">12 million yen</td> </tr> </table>	Lease expenses	104 million yen	Depreciation expenses	95 million yen	Interest expenses	12 million yen	<p>3.Lease expenses, pro forma equivalent depreciation and interest expense</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Lease expenses</td> <td style="text-align: right;">105 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation expenses</td> <td style="text-align: right;">89 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Interest expenses</td> <td style="text-align: right;">9 million yen</td> </tr> </table>	Lease expenses	105 million yen	Depreciation expenses	89 million yen	Interest expenses	9 million yen	<p>3.Lease expenses, pro forma equivalent depreciation and interest expense</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Lease expenses</td> <td style="text-align: right;">222 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation expenses</td> <td style="text-align: right;">202 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Interest expenses</td> <td style="text-align: right;">25 million yen</td> </tr> </table>	Lease expenses	222 million yen	Depreciation expenses	202 million yen	Interest expenses	25 million yen																														
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<p>4.Computation method for pro forma equivalent depreciation</p> <p>Straight-line method.</p> <p>Lease period is the useful life of the asset, and scrap value is zero.</p>	<p>4.Computation method for pro forma equivalent depreciation</p> <p>See left</p>	<p>4.Computation method for pro forma equivalent depreciation</p> <p>See left</p>																																																
<p>5. Computation method for pro forma equivalent interest</p> <p>Interest method.</p> <p>Pro forma equivalent interest is estimated as the difference of total lease expense and pro forma equivalent acquisition value.</p>	<p>5. Computation method for pro forma equivalent interest</p> <p>See left</p>	<p>5. Computation method for pro forma equivalent interest</p> <p>See left</p>																																																
<p>II Operating lease transaction</p> <p>Unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">359 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">282 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">641 million yen</td> </tr> </table>	Due within 1 year	359 million yen	Due after 1 year	282 million yen	Total	641 million yen	<p>II Operating lease transaction</p> <p>Unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">193 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">153 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">346 million yen</td> </tr> </table>	Due within 1 year	193 million yen	Due after 1 year	153 million yen	Total	346 million yen	<p>II Operating lease transaction</p> <p>Unexpired lease expenses</p> <table style="width: 100%;"> <tr> <td style="padding-left: 20px;">Due within 1 year</td> <td style="text-align: right;">370 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Due after 1 year</td> <td style="text-align: right;">240 million yen</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">610 million yen</td> </tr> </table>	Due within 1 year	370 million yen	Due after 1 year	240 million yen	Total	610 million yen																														
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Securities

Previous Interim (September 30, 2005)

1. Securities with market quotations

N/A

2. Securities without market quotations

(Millions of yen, round down)

	Book value
Other securities	
Unlisted shares	33
Unlisted bonds	169

Current Interim (September 30, 2006)

1. Securities with market quotations

(Millions of yen, round down)

	Acquisition value	Book value	Difference
Shares	2	2	-
Total	2	2	-

2. Securities without market quotations

(Millions of yen, round down)

	Book value
Other securities	
US Treasury bill	273
Investment limited partnership	19
Unlisted shares	208
Unlisted bonds	114

Fiscal Year (March 31, 2006)

1. Securities with market quotations

N/A

2. Other Securities sold during this Interim

N/A

3. Securities without market quotations

(Millions of yen, round down)

	Book value
Other securities	
US Treasury bill	241
Unlisted shares	152
Unlisted bonds	164

3. Derivative Transactions

Previous Interim (April 1, 2005 to September 30, 2005)

Contract amount, fair value, and unrealized gain or loss

Targeted Item	Type of Transaction	Contract Amount (Thousands of yen)	Fair Value (Thousands of yen)	Unrealized Gain/Loss (Thousands of yen)
Currency	Forward foreign currency	1,078,500	1,096,834	18,334
	Current options transactions			
	Put option (US\$)	1,050,000	(14,276)	(14,276)
	Call option (US\$)	1,110,000	24,465	24,465
Total		3,238,500	1,107,023	28,523

Note: Current options transactions are so-called zero cost options, therefore, cost is zero.

Current Interim (April 1, 2006 to September 30, 2006)

Derivative transactions at the end of the consolidated accounting period were entirely accounted for based on the hedge accounting method, therefore, no description of effectiveness is included.

Previous consolidated accounting period (April 1, 2005 to March 31, 2006)

Contract amount, fair value, and unrealized gain or loss

Targeted Item	Type of Transaction	Contract Amount (Thousands of yen)	Fair Value (Thousands of yen)	Unrealized Gain/Loss (Thousands of yen)
Currency	Forward foreign currency	1,078,500	1,160,422	81,922
	Current options transactions			
	Put option (US\$)	1,050,000	(800)	(800)
	Call option (US\$)	1,110,000	55,983	55,983
Total		3,238,500	1,215,605	137,105

Note: 1. Current options transactions are so-called zero cost options, therefore, cost is zero.

2. Market value is calculated using prices issued by financial institutions trading in options.

(Stock Options)

Interim Consolidated Accounting Period (From April 1, 2006 to September 30, 2006)

1. Amount and Category of Expenses Booked in Interim Period

Sales, general and administrative expenses ¥3 million

2. Breakdown of Stock Options

Stock options granted during the interim period under review are as follows.

	FY2006 Stock Options
Category and Number of People Granted Options	Director of Company 1
Number of Stock Options Granted by Type of Share (Note)	Common shares 200 shares
Granting Date	June 1, 2006
Fixed Conditions Required for Rights	-----
Targeted Employment Period	-----
Exercise Period	From September 1, 2007 to August 31, 2013
Exercise Price (Yen)	156,900
Fair Value on Granting Date (Yen)	66,591

Note: Calculated based on the number of shares.

Segment information

1. Business segment information

Interim ended September 30, 2005 (From April 1, 2005 to September 30, 2005) , Interim ended September 30, 2006 (From April 1, 2006 to September 30, 2006) and FY ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

The principle businesses of the Company and its consolidated subsidiaries are a mobile contents related business including content distribution via mobile phones and PHS and series of technology development of contents/service provider system. A description of these business is omitted here, because the amount of sales, operating income (loss) or assets from, or of, those business segments accounts for more than 90% of total sales, operating income (loss) or assets.

2. Geographic segment information

Interim ended September 30, 2005 (From April 1, 2005 to September 30, 2005)

Description is omitted, because the amount of domestic sales accounts for more than 90% of consolidated sales.

Interim ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

	Japan (Thousands of yen)	North America (Thousands of yen)	Total (Thousands of yen)	Elimination or Corporate (Thousands of yen)	Consolidated (Thousands of yen)
Sales					
(1) Sales to external customers	7,336,858	1,113,356	8,450,215	-	8,450,215
(2) Sales or transfers between segments	-	-	-	-	-
Total	7,336,858	1,113,356	8,450,215	-	8,450,215
Operating expense	6,908,933	1,196,180	8,105,113	-	8,105,113
Operating income or loss	427,925	(82,823)	345,102	-	345,102

FY ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

	Japan (Thousands of yen)	North America (Thousands of yen)	Total (Thousands of yen)	Elimination or Corporate (Thousands of yen)	Consolidated (Thousands of yen)
Sales					
(1) Sales to external customers	14,208,242	880,769	15,089,011	-	15,089,011
(2) Sales or transfers between segments	-	-	-	-	-
Total	14,208,242	880,769	15,089,011	-	15,089,011
Operating expense	14,097,893	1,238,288	15,336,181	-	15,336,181
Operating income or loss	110,348	(357,518)	(247,169)	-	(247,169)

Note: 1. Country or region is determined by geographic proximity.

3. Overseas sales

Interim ended September 30, 2005 (From April 1, 2005 to September 30, 2005)

Description is omitted, because the amount of overseas sales was less than 10% of consolidated sales.

Interim ended September 30, 2006 (From April 1, 2006 to September 30, 2006)

	North America	Total
I Overseas Sales (thousand of yen)	1,113,356	1,113,356
II Consolidated Sales (thousand of yen)	-	8,450,215
III Proportion of Overseas Sales in Consolidated Sales (%)	13.2	13.2

FY ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

Description is omitted, because the amount of overseas sales was less than 10% of consolidated sales.

(Per Share Data)

(Round down)

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
1. Shareholders' Equity per Share	54,048 yen	44,280 yen	53,839 yen
2. Net income (loss) per share	448 yen	(9,440 yen)	(639 yen)
3. Net income per share (diluted)	440 yen	Net income per share (diluted) is not described due to net loss	Net income per share (diluted) is not described due to net loss
	A three-for-one stock split was implemented on November 19, 2004. If the stock split were applied to the previous fiscal year figures, the per share data for the previous fiscal year would be as follows; Shareholders' equity per share 37,538 yen Net income per share 5,077 yen Net income per share (diluted) 5,030 yen	-	-

Note: The basis for calculating net income per share and net income per share (diluted) are as follows.

	Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)
Net Income Per Share			
Net income (loss) (thousands of yen)	97,973	(2,183,680)	(143,607)
Amount not related to common stock (thousand of yen)	-	-	-
Net income (loss) related to common stock (thousands of yen)	97,973	(2,183,680)	(143,607)
Average number of common shares for period (shares)	218,292	231,301	224,396

Significant Subsequent Events

Interim period ended September 30, 2005 (From April 1, 2005 To September 30, 2005)	Interim period ended September 30, 2006 (From April 1, 2006 To September 30, 2006)	FY ended March 31, 2006 (From April 1, 2005 To March 31, 2006)																		
-----	-----	<p>I. Share Exchange with JIMOS CO., LTD. CYBIRD Co., Ltd., and JIMOS CO., LTD., ratified in separate meetings of the boards of directors on May 15, 2006 a share exchange agreement that will result in JIMOS becoming a wholly owned subsidiary of CYBIRD on October 1, 2006 based on a share exchange.</p> <p>1. Purpose of Share Exchange On March 1, 2005, JIMOS and CYBIRD announced a comprehensive strategic business and capital alliance aimed at developing their commerce business based on the utilization of CYBIRD's mobile-services-developed customer base. Based on that alliance, the two partners have been working toward the integration of their businesses to achieve a fusion of their areas of strength, their competitive capabilities, and their business and management resources with an eye to merging their capital (by establishing a holding company, etc.) and implementing group management. As a result, on March 14, 2006, the two companies have reached a basic agreement on integration of their businesses based on equal partnership by establishing a holding company, to further expand and diversify their business and increase their profitability. Part of the business integration scheme, the share exchange will be used to make JIMOS a wholly owned subsidiary of CYBIRD to facilitate the shift to a holding company organization. At the same time, CYBIRD will undergo a corporate split, with the former company changing its name to CYBIRD Holdings Co., Ltd., and becoming a holding company and a newly established company taking over the name of CYBIRD Co., Ltd., and succeeding to the existing businesses of the former company. As a result, JIMOS and the newly established CYBIRD will be wholly owned subsidiaries of the holding company, CYBIRD Holdings.</p> <p>2. Share Exchange Particulars (1) Share Exchange Schedule</p> <table border="0"> <tr> <td>March 14, 2006</td> <td>Fundamental agreement on business integration reached.</td> </tr> <tr> <td>March 31, 2006</td> <td>Date set for CYBIRD regular shareholders' meeting.</td> </tr> <tr> <td>April 28, 2006</td> <td>Date set for JIMOS extraordinary shareholders' meeting</td> </tr> <tr> <td>May 15, 2006</td> <td>Conclusion of share exchange agreement.</td> </tr> <tr> <td>June 29, 2006</td> <td>Approval of share exchange agreement at CYBIRD regular shareholders' meetings (planned).</td> </tr> <tr> <td>June 30, 2006</td> <td>Approval of share exchange agreement at JIMOS extraordinary shareholders' meetings (planned).</td> </tr> <tr> <td>Sept. 26, 2006</td> <td>JIMOS shares delisted (planned).</td> </tr> <tr> <td>Sept. 30, 2006</td> <td>End of submission period for shares to be exchanged (planned).</td> </tr> <tr> <td>Oct. 1, 2006</td> <td>Share exchange date (planned)</td> </tr> </table> <p>(2) Share Exchange Ratios For shareholders of JIMOS listed in the shareholder and beneficial shareholder registers at the end of the day on which the shares are to be exchanged, CYBIRD will exchange 1.17 common shares for each</p>	March 14, 2006	Fundamental agreement on business integration reached.	March 31, 2006	Date set for CYBIRD regular shareholders' meeting.	April 28, 2006	Date set for JIMOS extraordinary shareholders' meeting	May 15, 2006	Conclusion of share exchange agreement.	June 29, 2006	Approval of share exchange agreement at CYBIRD regular shareholders' meetings (planned).	June 30, 2006	Approval of share exchange agreement at JIMOS extraordinary shareholders' meetings (planned).	Sept. 26, 2006	JIMOS shares delisted (planned).	Sept. 30, 2006	End of submission period for shares to be exchanged (planned).	Oct. 1, 2006	Share exchange date (planned)
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		<p>JIMOS common share. However, there will be no exchange of CYBIRD shares for the 12,381 common shares of JIMOS currently held by CYBIRD.</p> <p>(3) New Shares Issued by CYBIRD due to Share Exchange Common shares: 57,545 shares The above number of shares was determined based on a calculation using the number of common shares issued by JIMOS at March 31, 2006. This number could increase due to the exercise of stock options.</p> <p>3. Outline of JIMOS CO., LTD. Representative: Fujio Komura Paid-in Capital: ¥1,176 million (At Dec. 31, 2005) Head Office: 1-4-2 Tenjin, Chuo-ku, Fukuoka</p> <p>1. Main Business Direct marketing, wholesale, direct sales support services, and other businesses</p> <p>2. Net Sales and Net Income (FY2005/6) Net Sales: ¥12,641 million Net Income: ¥753 million</p> <p>3. Assets, Shareholder's equity and Liabilities (June 30, 2005) Assets: ¥6,960 million Liabilities: ¥1,874 million Shareholder's equity: ¥5,086 million</p> <p>II. The Spin Off of CYBIRD's Operations Due to Corporate Split The board of directors of CYBIRD decided in a meeting held on May 15, 2006 to convert the Company to a holding company after spinning out its existing operations into a newly established company. The effective date of the corporate split shall be October 2, 2006.</p> <p>1. Purpose of Corporate Split The purpose of the current corporate split, in which the existing operations of the Company will be spun off to a newly established company, is to allow the formation of a holding company of which the newly established company and JIMOS CO., LTD. will become wholly owned subsidiaries.</p> <p>2. Outline of Corporate Split (1) Corporate Split Schedule May 15, 2006 Board meeting to approve CYBIRD split plan June 29, 2006 Shareholders' meeting to approve CYBIRD split plan October 2, 2006 Registration date for corporate split (planned)</p> <p>(2) Corporate Split Process On October 2, 2006, CYBIRD will spin off its business operations, which will be transferred to a newly established company that will succeed to those businesses.</p> <p>(3) Stock Allotment All the 7,000 common shares issued by the newly established company upon establishment will be allotted to CYBIRD, the company that transferred its operations to the newly established company.</p> <p>(4) Rights and Obligations of the Newly Established Company Succeeding to CYBIRD's Businesses As of the corporate split date, the newly established company will succeed to the asset, liabilities, contractual obligations, and other rights and obligations as defined in the separately included Corporate Split Plan.</p> <p>3. Details of Businesses Being Spun Off The newly established company will succeed to the following businesses (i) Mobile Content Business (ii) Marketing Solution Business (iii) E-Commerce Business (iv) Advertising (v) All related businesses</p>
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		<p>III. Authorization of the Board of Directors to Decide Items Regarding the Free Distribution of Subscription Rights in Accordance with the Introduction of a New Takeover Prevention Plan</p> <p>In the 8th ordinary general shareholders meeting held on June 29, 2006, they decided authorization of the board of directors to decide items regarding the free distribution of subscription rights in accordance with the introduction of a new takeover prevention plan, as for the accomplishment of the continuous growth, the attainment of the continuous enhancement of corporate value and rational approach to realizing the interests of shareholders.</p> <p>Outline of the Plan</p> <p>The plan requires that a specified procedure must be followed for the acquisition of more than a fixed amount of shares of the Company and when such an acquisition does occur without following the procedure or even with following the procedure, the Company may take countermeasures against the acquisition by making a free distribution of subscription rights to its shareholders when the acquisition is judged to be counterproductive to enhancing corporate value and realizing the interests of shareholders.</p> <p>(1) Shareholders eligible for allotment</p> <p>The board of directors shall determine a specific day (hereinafter referred to as the "Distribution Date") on which shareholders or beneficiary shareholders (excluding the Company) entered or registered in the final shareholders register shall be eligible to receive an allotment of one (1) subscription right for each share held.</p> <p>(2) Total number of Subscription Rights to be issued</p> <p>The total number of Subscription Rights to be issued shall be the same number as the number of common shares of the Company issued and outstanding (excluding shares held by the Company) at the end of the Distribution Date.</p> <p>(3) The type and number of shares for which Subscription Rights are to be issued</p> <p>a. The type shares for which Subscription Rights are to be issued</p> <p>The type of shares for which Subscription Rights are to be issued shall be the common shares of CYBIRD Co., Ltd.</p> <p>b. The number of shares for which Subscription Rights are to be issued</p> <p>The number of shares for which a Subscription Right is to be issued (hereinafter referred to as the "Conversion Number of Shares") shall be one (1) share, provided that should an adjustment be made in the Conversion Number of Shares subject to (4) below, adjustments shall be made accordingly.</p> <p>(4) Adjustment of the number of shares to be issued for a Subscription Right</p> <p>Should a stock split or reverse-stock split or a merger or corporate split take place following the allotment of the Subscription Rights, the Conversion Number of Shares shall be adjusted appropriately in consideration of the circumstances. When the Conversion Number of Shares is being adjusted, the Company shall beforehand notify the holders of Subscription Rights in writing or by a method prescribed in the Articles of Incorporation of the purpose, reason, Conversion Number of Shares before and after adjustment, the date of the adjustment, and other necessary matters; provided that if the notification or public announcement cannot be made in time, it shall be made promptly after the date of adjustment.</p> <p>(5) Issue price of Subscription Rights</p> <p>Gratis</p> <p>(6) Payment on exercise of Subscription Rights</p> <p>The amount of assets (cash) required for exercise of one (1) Subscription Right (hereinafter referred to as the "Exercise Price") shall be one (1) yen. The amount</p>
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		<p>to be paid for the exercise of one (1) Subscription Right shall be the Exercise Price multiplied by the Conversion Number of Shares.</p> <p>(7) Exercise period of Subscription Rights The exercise period shall be a period decided by the board of directors not to exceed 120 days from the Allotment Date; provided that if the Company acquires Subscription Rights in accordance with Paragraph 9, the deadline for that acquisition shall be one day before the date of acquisition. If the final day of the exercise period falls on a banking holiday, the final day of the exercise period shall be the following banking day.</p> <p>(8) Exercise conditions (i) In this paragraph, the following words or phrases shall have the meaning as defined below unless otherwise provided for. a. A "Specified Shareholder" is an Owner or a Public Tender Offeror or an Owner and Public Tender Offeror of Securities of CYBIRD for whom any of the following exceeds 20%. I The Total Proportion of Share Ownership of the Company's Securities of said Owner and Co-owners II The Total Proportion of Share Ownership of the Company's Securities of said Public Tender Offeror and shares that said Public Tender Offeror will come into Ownership of and the share Ownership of Special Relationship Entities III The Total Proportion of Share Ownership of the Company's Securities of said Owner and Public Tender Offeror and shares that said Owner and Public Tender Offeror will come into Ownership of plus the share Ownership of Co-owners and Special Relationship Entities. b. "Ownership" has the meaning stipulated in Article 27-23, Paragraph 4 of the Securities and Exchange Act of Japan. c. "Owner" has the meaning stipulated in Article 27-23, Paragraph 1 of the Securities and Exchange Act of Japan, and includes those recognized as an Owner as provided for in Paragraph 3 of the same Article. d. "Public Tender Offeror" has the meaning stipulated in Article 27-3, Paragraph 2 of the Securities and Exchange Act of Japan. e. "Owner and Public Tender Offeror" is an Owner that is an Owner and Public Tender Offeror at the same time. f. "Co-owners" has the meaning stipulated in Article 27-23, Paragraph 5 of the Securities and Exchange Act of Japan, and includes those recognized as Co-owners as provided for in Paragraph 6 of the same Article. g. "Special Relationship Entities" has the meaning stipulated in Article 27-2, Paragraph 7 of the Securities and Exchange Act of Japan; provided that entities stipulated in Item 1 of the same Paragraph exclude those entities stipulated in Article 3, Paragraph 1 of the Cabinet Office Ordinance Regarding Disclosure of Public Tender Offers for Securities by Entities Other than Issuers. h. "Total Proportion of Share Ownership" has the meaning stipulated in Article 27-23, Paragraph 4 of the Securities and Exchange Act of Japan. i. "Entities Classified as Friendly" are any of the following: I CYBIRD or its subsidiaries (as defined in Article 8, Paragraph 3 of the Regulations on Financial Statement Terminology, Style, and Preparation Methods) or its affiliates (as defined in Article 8, Paragraph 5 of the Regulations on Financial Statement</p>
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		<p>Terminology, Style, and Preparation Methods); II A shareholder that has inadvertently or without intention to gain control over the Company become a Specified Shareholder and that disposes of its Securities within 10 days (provided the board of directors may extend this period) after becoming a Specified Shareholder, thereby losing such designation; III an entity that becomes a Specified Shareholder not of its own volition but because of the acquisition of treasury stock by the Company or other reasons (excluding the case where the entity of its own volition begins to acquire Securities in the Company after becoming a Specified Shareholder); IV an entity that becomes a Specified Shareholder and which the board of directors deems there to be no concern that becoming a Specified Shareholder runs counter to the maximization of corporate value or the realization of the interests of shareholders (the board may at anytime determine this point; furthermore, in the event that the board of directors deems that under certain conditions there is no concern that it runs counter to the maximization of corporate value or to the realization of the interests of shareholders, the entity shall be deemed friendly only if those certain conditions are met).</p> <p>j. “Acquiring, etc.” has the meaning defined in Article 27-2, Paragraph 1 of the Securities and Exchange Act of Japan.</p> <p>k. “Securities” has the meaning defined in Article 27-23, Paragraph 1 of the Securities and Exchange Act of Japan with the exception of securities stipulated by Article 27-2, Paragraph 1 of said Act.</p> <p>(ii) The following entities may not exercise Subscription Rights. Specified Shareholder, Co-owners, and Special Relationship Entities or entities that have acquired the Subscription Rights of the above (excluding entities for which this succession has been approved by the board of directors) or entities that the board of directors has deemed being practically controlled by the above or entities that are cooperating with the above and being practically controlled or entities that the above are cooperating with.</p> <p>(iii) In the case that under the applying laws a shareholder residing in that jurisdiction will be in violation of or in conflict with the law if he or she exercise the Subscription Rights without performing certain procedures or meeting certain conditions (temporary prohibition of exercise, including requirement of submission of specified documentation, etc.), or both of these requirements (hereinafter referred to as “Local Legal Requirements”), said shareholder will be entitled to exercise the Subscription Rights only if he or she provides evidence that those procedures and conditions have been fully performed or fulfilled; provided that the Company will not be obligated to perform or fulfill any procedures or conditions if the jurisdiction that the shareholder resides in requires the Company to do so before the shareholder may exercise the Subscription Rights. Moreover, in the case where the shareholder residing in that jurisdiction is deemed not to be able to exercise the Subscription Rights under the laws of that country, that shareholder shall not be entitled to exercise the Subscription Rights.</p> <p>(iv) Notwithstanding the previous (iii), persons residing in the United States of America must: I Personally declare and certify that they are an</p>
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		<p>accredited investor as defined in Rule 501(a) of the 1933 Securities Law, and</p> <p>II will only be permitted to exercise the Subscription Rights if they pledge to only to sell the common shares of the Company acquired as the result of the exercise of the Subscription Rights in regular trading on the exchange of Jasdq Securities Exchange, Inc.; provided that there are no arrangements or solicitations made for the sale beforehand). CYBIRD will, if required, perform procedures or fulfill conditions under Regulation D of the 1933 Securities Law or the laws of the states of the United States of America if it is deemed necessary in order for the shareholder residing in the United States to exercise the Subscription Rights.</p> <p>In the case that the board of directors determines that changes in the laws or regulations of the United States have resulted in shareholders residing in the United States not being able to exercise their Subscription Rights even if the conditions of I and II above are met, the shareholders residing the United States will not be able to exercise their Subscription Rights.</p> <p>(v) If a shareholder possessing the Subscription Rights is not able to exercise those Subscription Rights in accordance with the provisions of items (ii) to (iv) above, CYBIRD shall not be liable for compensation or have any other responsibility to said shareholder.</p> <p>(vi) Shareholders may not partially exercise a Subscription Right.</p> <p>(9) Acquisition of Subscription Rights by the Company</p> <p>(i) Up until the day before the commencing date of the exercise period for the Subscription Rights, the Company may acquire all of the Subscription Rights without cost on a day set by the board of the directors if the board of directors decides that such action is appropriate.</p> <p>(ii) Based on a decision by the board of directors in accordance with the provisions of Article 274, Paragraphs 1 & 2 of the Corporate Law of Japan, during the exercise period for the Subscription Rights stated in Paragraph 7, the Company may at any time acquire the Subscription Rights of shareholders able to exercise Subscription Rights in accordance with Paragraph 8 by exchanging the Conversion Number of Shares for each Subscription Right on a date determined by the board of directors.</p> <p>(10) Exercise of voting rights at Company general shareholders meeting by shareholders who have acquired shares through exercise of Subscription Rights or purchase of Subscription Rights by Company</p> <p>Shareholders who have acquired shares with voting rights through exercise of Subscription Rights or purchase of Subscription Rights by Company after the record date for voting at a general shareholders meeting is set by the Company may still exercise their voting rights at the general shareholders meeting.</p> <p>(11) Conditions for transfer of Subscription Rights</p> <p>Acquiring Subscription Rights through the transfer of those rights requires the approval of the board of directors. In the case that the shareholder transferring the Subscription Rights is a shareholder residing outside Japan who for the reasons stipulated in (iii) to (iv) of Paragraph 8 cannot exercise his or her Subscription Rights, the board of directors will decide whether to allow or disallow the transfer base on consideration of the following matters.</p> <p>(i) The person acquiring the Subscription Rights or a portion of the Subscription Rights of the</p>
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		<p>said shareholder residing outside Japan has submitted a certification document (Declaring and certifying items (ii) to (iv) below, and including compensation clauses and breach of contract penalties) signed or affixed with their seal.</p> <p>(ii) The entities selling and acquiring the Subscription Rights are not equivalent to entities stipulated in Paragraph 8 (ii).</p> <p>(iii) The entity acquiring the Subscription Rights does not reside in the said jurisdiction and is not acquiring the Subscription Rights on behalf of the seller.</p> <p>(iv) The entity acquiring the Subscription Rights is not doing so on behalf of either of the entities provided for in (ii) and (iii) above.</p> <p>(12) Exchange and conditions for exchange of Subscription Rights in the case of a merger, corporate split, share exchange or share conversion These matters are to be decided by the board of directors in accordance with their decision regarding the free distribution of Subscription Rights.</p> <p>(13) No issuance of Subscription Rights certificates The Company shall not issue Subscription Right certificates.</p> <p>(14) Increase in capital stock and capital surplus when shares issued on exercise of Subscription Rights If common shares of the Company are issued on exercise of Subscription Rights, the increase in capital stock shall be the full amount of the exercise price and there shall be no increase in capital surplus.</p> <p>(15) Method of exercise of Subscription Rights and exercise request location When holders of Subscription Rights wish to exercise those rights, they shall do so by filling in the necessary items in the prescribed exercise request form (including the details and number of Subscription Rights to be exercised, the necessary matters regarding the date of exercise of the Subscription Rights, etc., and all declarations, guarantees, compensation clauses, and other pledges regarding the fulfillment of the conditions for exercise of the Subscription Rights by the shareholder in a format specified by the Company) and affixing their personal seal as well as providing other documentation required for the exercise of the Subscription Rights as necessary including documentation required by the Corporation Law, the Securities Exchange Act, and other related regulations (including the regulations of the Japan Securities Dealer Association and the relevant securities exchange) and other documentation that might be required at the time (hereinafter referred to as the "Attached Documentation"). Said materials shall be submitted to the settlement agent during the period stipulated in Paragraph 7. above and payment made to the settlement agent in an amount equivalent to the total Exercise Price for the shares for which the Subscription Rights are being exercised.</p> <p>(16) Timing of the validity of exercise of Subscription Rights The exercise of Subscription Rights shall become valid at the point in time when the exercise request form and Attached Documentation of Paragraph 15 have arrived at the settlement agent's location and the full Exercise Price payment has been made to the settlement agent's designated account.</p> <p>(17) Revisions of laws, etc. Should revisions be required in the clauses and items of the Rights Plan due to the enactment of</p>
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		<p>new laws or revisions or abolishment of laws following the free distribution of the Subscription Rights, the meaning of the clauses and items may be practically interpreted in the light of the purpose and content of the new laws, revisions or abolishment.</p> <p>IV. Additional Investment to Consolidated Subsidiary In the board of directors held on June 19, 2006, the Company decided to extend a further investment to CYB INVESTMENT INC., a consolidated, wholly owned subsidiary of CYBIRD's International Division. At the same time, the Company has decided to collect on its previous loan to the subsidiary in the amount of US\$40.49 million.</p> <ol style="list-style-type: none"> 1. Name: CYB INVESTMENT INC. 2. Address: Delaware, U.S.A. 3. Amount of Investment: 43,300,000USD 4. Payment date: June 30, 2006
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