

## 5. Consolidated Financial Statements (Quarter)

### 5-1 Consolidated Balance Sheet (Quarter)

(Unit: Thousands of yen, Round down)

	September 30, 2005		September 30, 2006		Changes		
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	%	
Assets							
I Current assets							
1 Cash and cash equivalents	2,935,154		2,060,808				
2 Accounts receivable	3,632,215		3,949,713				
3 Inventories	43,219		11,092				
4 Others	440,154		768,157				
5 Allowance for doubtful accounts	(30,417)		(25,185)				
Total current assets	7,020,326	37.4	6,764,586	40.8	(255,740)	(3.6)	
II Property and equipment							
1 Tangible fixed assets	319,902	1.7	307,177	1.9	(12,725)	(4.0)	
2 Intangible fixed assets:							
(1) Software	686,242		599,658				
(2) Conso. Adjustment accounts	74,007		-				
(3) Goodwill	6,105,643		-				
(4) Goodwill	-		5,917,427				
(5) Others	140,538	7,006,432	213,891	6,730,977	40.6	(275,454)	(3.9)
3 Investment and other assets:							
(1) Investment securities	3,300,403		1,547,163				
(2) Deposit with landlord	430,361		454,274				
(3) Others	681,433		766,702				
(4) Allowance for doubtful accounts	(3,202)	4,408,995	-	2,768,140	16.7	(1,640,855)	(37.2)
Total investment and other assets	11,735,330	62.6	9,806,295	59.2	(1,929,035)	(16.4)	
Total property and equipment	18,755,656	100.0	16,570,881	100.0	(2,184,775)	(11.6)	

(Unit: Thousands of yen, Round down)

	September 30, 2005		September 30, 2006		Changes	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	%
<b>Liabilities</b>						
<b>I Current liabilities</b>						
1 Accounts payable	1,496,182		1,666,526			
2 Short-term debt	300,385		2,654,855			
3 Accrued expenses	3,272,072		417,792			
4 Accrued income taxes	376,071		34,404			
5 Bonus payment reserve	40,090		94,924			
6 Others	152,029		188,402			
Total current liabilities	5,636,830	30.1	5,056,906	30.5	(579,924)	(10.3)
<b>II Long-term liabilities</b>						
1 Corporate bond	75,000		370,500			
2 Long-term debt	160,675		104,733			
3 Reserve for employee's retirement benefit	22,239		18,948			
4 Others	2,072		-			
Total fixed debt	259,986	1.4	494,182	3.0	234,195	90.1
Total liabilities	5,896,817	31.5	5,551,088	33.5	345,728	(5.9)
<b>Minority interests</b>						
Minority interests	402,881	2.2	-	-	-	-
<b>Shareholders' Equity</b>						
<b>I Common stock</b>	5,426,925	28.9	-	-	-	-
<b>II Additional paid-in capital</b>	5,483,621	29.2	-	-	-	-
<b>III Retained earnings</b>	1,692,441	9.0	-	-	-	-
<b>IV Unrealized gain in available-for-sale securities</b>	5,424	0.0	-	-	-	-
<b>V Foreign currency transaction adjustment</b>	(152,454)	(0.8)	-	-	-	-
Total shareholders' equity	12,455,957	66.3	-	-	-	-
Total	18,755,656	100.0	-	-	-	-
<b>Net Assets</b>						
<b>I Shareholders' equity</b>						
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	-	-
<b>II Valuation and translation adjustments</b>						
1 Unrealized gain in available-for-sale securities	-	-	10,316	0.0	-	-
2 Foreign currency translation adjustments	-	-	(56,132)	(0.3)	-	-
Total valuation and translation adjustments	-	-	(45,816)	(0.3)	-	-
<b>III Subscription right</b>	-	-	3,555	0.0	-	-
<b>IV Minority interests</b>	-	-	770,082	4.7	-	-
Total net assets	-	-	11,019,793	66.5	-	-
Total	-	-	16,570,881	100.0	-	-

## 5-2 Consolidated Income Statements (Quarter)

(Unit: Thousands of yen, Round down)

	2 <sup>nd</sup> Quarter FY ended March 31, 2006 (From July 1, 2005 To September 30, 2005)		2 <sup>nd</sup> Quarter FY ending March 31, 2007 (From July 1, 2006 To September 30, 2006)		Changes	
	Thousands of yen	%	Thousands of yen	%	Thousands of yen	%
Net Sales	3,528,852	100	4,418,822	100	889,969	25.2
Cost of sales	2,378,581	67.4	2,517,862	57	139,281	5.9
Gross Profit	1,150,271	32.6	1,900,959	43	750,688	65.3
Selling, general and administrative expenses	1,181,689	33.5	1,593,309	36	411,619	34.8
Operating Income	(31,418)	(0.9)	307,650	7	339,068	-
Non-operating income	58,689	1.7	512	0	(58,177)	(99.1)
Non-operating expenses	16,130	0.5	1,945,700	44.1	1,929,570	-
Ordinary Profit	11,141	0.3	(1,637,537)	(37.1)	(1,648,679)	-
Extraordinary profit	853,112	24.2	738	0	(852,374)	(99.9)
Extraordinary loss	531,711	15.1	58,927	1.3	(472,784)	(88.9)
Income Before Income Taxes and minority Interests	332,542	9.4	(1,695,727)	(38.4)	(2,028,269)	-
Income Taxes	309,251	8.8	13,617	0.3	(295,634)	(95.6)
Prior Year income taxes	-	-	40,844	0.9	40,844	-
Prior Year Adjustments of income taxes	77,623	2.2	98,650	2.2	21,027	27.1
Profit (Loss) on minority interests	(106,118)	(3.0)	64,499	1.5	170,617	-
Net Income (Loss)	51,786	1.5	(1,913,338)	(43.3)	(1,965,125)	-

## Sales by Operations

(Unit: Thousands of yen, Round down)

	2 <sup>nd</sup> Quarter FY ended March 31, 2006 (From July 1, 2005 To September 30, 2005)		2 <sup>nd</sup> Quarter FY ending March 31, 2007 (From July 1, 2006 To September 30, 2006)		Changes	
	thousands of yen	%	thousands of yen	%	thousands of yen	%
Mobile Contents Business	2,615,992	74.1	2,866,887	64.9	250,895	9.6
Marketing Solution Business	854,473	24.2	686,763	15.5	(167,710)	(19.6)
E-Commerce Business	56,067	1.6	91,994	2.1	35,927	64.1
Advertising Business	1,025	0	38,988	0.9	37,963	-
Investment Business	-	-	143,135	3.2	143,135	-
International Business	1,294	0.1	591,053	13.4	589,759	-
Total	3,528,852	100	4,418,822	100	889,969	25.2

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

### 5-3 Consolidated Statement of Changes in Shareholders' Equity (Quarter)

2<sup>nd</sup> Quarter of FY ending March 31, 2007 (From July 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 June 30, 2006	5,503,317	5,560,012	1,141,980	12,205,310
Changes				
Share issue	-	-	-	-
Cash dividend	-	-	-	-
Net income	-	-	(1,913,338)	(1,913,338)
Net increase (decrease) except for items under shareholders' equity	-	-	-	-
Total	-	-	(1,913,338)	(1,913,338)
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 June 30, 2006	6,199	(10,727)	(4,528)	874	682,114	12,889,498
Changes						
Share issue	-	-	-	-	-	-
Cash dividend	-	-	-	-	-	-
Net income	-	-	-	-	-	(1,913,338)
Net increase (decrease) except for items under shareholders' equity	4,117	(45,405)	(41,288)	2,681	87,968	43,633
Total	4,117	(45,405)	(41,288)	2,681	87,968	(1,869,705)
Balance at September 30, 2006	10,316	(56,132)	(45,816)	3,555	770,082	11,019,793

#### 5-4 Consolidated Statement of Retained Earnings (Quarter)

	2 <sup>nd</sup> Quarter FY ended March 31, 2006 (From July 1, 2005 To September 30, 2005)		2 <sup>nd</sup> Quarter FY ending March 31, 2007 (From July 1, 2006 To September 30, 2006)	
	Thousands of yen		Thousands of yen	
Additional paid-in capital:				
I Balance at the beginning of period		5,452,886		-
II Increase in additional paid-in capital				
1. Increase due to share issuance	30,734	30,734	-	-
III Balance at the end of period		5,483,621		-
Retained earnings:				
I Balance at the beginning of period		1,640,654		-
II Increase in retained earnings				
1. Net income (loss) for the quarter	51,786	51,786	-	-
III Decrease in retained earnings				
1. Dividend	-	-	-	-
IV Decrease in retained earnings		1,692,441		-

## 5-5 Consolidated Cash Flow Statements (Quarter)

(Unit: Thousands of yen, Round down)

	2 <sup>nd</sup> Quarter FY ended March 31, 2006 (From July 1, 2005 To September 30, 2005)	2 <sup>nd</sup> Quarter FY ending March 31, 2007 (From July 1, 2006 To September 30, 2006)
	thousands of yen	thousands of yen
<b>I Operating activities:</b>		
1 Income before income taxes and minority interest	332,542	(1,695,727)
2 Depreciation and amortization	117,118	83,335
3 Goodwill amortization	-	94,068
4 Write-down of consolidation adjustment account	334,644	-
5 Restructuring expenses	108,668	-
6 Increase (decrease) in allowance for doubtful accounts	(2,241)	(4,720)
7 Increase (decrease) in bonus payment reserve	7,680	59,699
8 Increase (decrease) in reserve for employee's retirement benefits	(6,448)	(2,372)
9 Interests and dividend earned	761	(166)
10 Interest expenses	2,366	49,785
11 Equity in net earnings (losses) of an affiliate	(2,249)	1,874,525
12 Gain on sales of investment securities	(853,112)	-
13 Loss on sale of tangible fixed assets	1,040	-
14 Impairment of software	52,217	47,864
15 Gain on change of equity	39,252	(738)
16 (Increase) decrease in accounts receivable	(210,894)	(130,102)
17 (Increase) decrease in inventories	58,815	27,704
18 Increase (decrease) in accounts payable	94,776	106,619
19 Increase (decrease) in accrued expenses	(74,518)	(105,620)
20 Others	(41,761)	160,597
Total	(41,343)	564,753
21 Interests and dividends received	16	166
22 Dividends received from companies accounted for by the equity method	14,857	17,333
23 Interest paid	(2,524)	(50,279)
24 Income tax paid	48	(40,327)
<b>Cash flow from operating activities</b>	(28,945)	491,645
<b>II Investing activities:</b>		
1 Increase (decrease) in fixed deposit	(7,880)	(251)
2 Expenditures for property and equipment	(1,967)	(22,498)
3 Expenditure for intangible fixed assets	(62,959)	(91,439)
4 Proceeds from intangible fixed assets	-	7,000
5 Proceeds from sales of investment securities	994,000	-
6 Expenditure for purchase of stocks of subsidiaries changing consolidation scope	706,996	-
7 Expenditure for purchase of additional stocks of subsidiaries	-	(2,310,438)
8 Expenditures for deposits with landlord	(57,829)	-
9 Proceeds from deposits with landlord	2,208	300
10 Others	(160,968)	(13,864)
<b>Cash flow from investing activities</b>	1,411,599	(2,431,191)

<b>III Financing activities:</b>		
1 Proceeds from short-term debt	-	2,430,438
2 Repayment of short-term debt	(19,998)	(270,000)
3 Proceeds from long-term debt	100,000	30,000
4 Repayment of long-term debt	(29,263)	(27,597)
5 Expenditure for bond redemption	(25,000)	(25,000)
6 Proceeds from issuance of new shares	42,057	-
7 Proceeds from subscription for stock by minority shareholders	40,000	-
8 Capital subscription from minority share holders	-	25,000
9 Dividends payment	(21,126)	3,820
<b>Cash flow from financing activities</b>	<b>86,669</b>	<b>2,166,661</b>
<b>IV Foreign currency translation adjustment of cash and cash equivalents</b>	<b>(103,685)</b>	<b>(3,161)</b>
V Increase (decrease) in cash and cash equivalents	1,365,638	223,954
VI Cash and cash equivalents at the beginning of period	1,320,838	1,587,797
VII Cash and cash equivalents at the end of period	2,686,477	1,811,752

## Notes to Consolidated Financial Statements

<p>1. Basis of Consolidation</p>	<p>(1) Number of Consolidated Companies: 9</p> <p>Names of Consolidated Companies:            GiGAFLOPS Japan Inc.            AXISSOFT Corporation            CYB INVESTMENT INC.            Airborne Entertainment Inc.            Cellus U.S.A. INC.            PLUS MOBILE COMMUNICATIONS Co., Ltd.            CYBIRD Investment Partners Inc.            CYBIRD Mobilecasting Inc.            CYBIRD Plus Mobile Fund Investment Business Limited Partnership</p> <p>(2) CYBIRD Co., Ltd. has no unconsolidated subsidiaries.</p>
<p>2. Equity Method</p>	<p>(1) CYBIRD Co., Ltd. has no unconsolidated subsidiaries accounted for by the equity method.</p> <p>(2) Number of Companies 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>(3) CYBIRD Co., Ltd. has no unconsolidated subsidiaries that cannot be accounted for by the equity method.</p> <p>(4) Reason that unconsolidated subsidiary cannot be accounted for by the equity method.</p> <p style="text-align: center;">Not applicable</p> <p>(5) Among companies accounted for by the equity method, JIMOS CO., LTD., has its Interim end on December 31. In the preparation of the consolidated financial statements, therefore, a balance sheet of the most recent the second quarter was used.</p>
<p>3. Account date of Consolidated Subsidiaries</p>	<p>Among consolidated subsidiaries, the accounting closing date for the interim period of CYB INVESTMENT INC. and its subsidiary Airborne Entertainment Inc. and for CYBIRD Plus Mobile Fund Investment Business Limited Partnership is June 30. In the preparation of the consolidated financial statements for the first quarter, the consolidated financial statements of CYB INVESTMENT INC. on March 31 are used. The consolidated statements are adjusted as necessary for any material transactions that occur after the closing date and before the end of the consolidated first quarter.</p> <p>In the case of CYBIRD Plus Mobile Fund Investment Business Limited Partnership, a trial balance is taken on March 31 to be used in consolidation. The first quarter accounting closing dates for 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            Other Securities            Marketable securities: Valuation at cost at fair value at the end of the period, with unrealized gains and losses, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.            Non-marketable securities: stated at cost determined by the moving-average method.            Investments to Investment Business Limited Partnership and Partnership of a similar type (regarded as securities for the purpose of Article 2, Paragraph 2 of the Securities and Exchange Act of Japan): Stated at the amount of interests based on the recent financial statements available as of the reporting date of the financial statements as provided under the Partnership Agreement.</p> <p>b. Derivatives            Valuation at cost by the market method.</p> <p>c. Inventories</p>

