

## **2. Business Policies**

### **2-1 Business Principles/Missions**

Based on its corporate philosophy of “The Strength to Care for People,” the CYBIRD Group’s basic business policy is to evolve into a company that is “essential to society.” The Group seeks to achieve this goal by continuing to provide people with joy and wonder through the creation of a one to one stage that constantly links people with the Group under a one to one communications environment through “People + Mobile.”

The Group is driving forward with business development based on the follow 5 key points.

- (1) Providing goods and services that satisfy customer preferences.
- (2) Achieving effective group management that creates business synergies.
- (3) Efficient allocation of business resources through thorough selection and focus strategies.
- (4) Establishment of solid business foundation that can produce sustained profits.
- (5) Establish corporate governance system that will ensure business transparency and credibility and sustained business growth.

### **2-2 Dividend Policy**

We recognize returning profits to our shareholders as a top priority issue. Our basic dividend policy is to determine dividends after consideration of our business performance, financial position and the need to expand internal reserves for future business development. For the fiscal year under review, as part of the process of returning profits to shareholders, we plan to issue an annual cash dividend of ¥167 per share.

### **2-3 Stock Unit Adjustment Policy**

From the aspect of increasing liquidity in the equity market and promoting the participation among broader range of investors, we regard it as a basic policy to review from time to time the stock unit adjustment.

### **2-4 Mid to Long-term Business Policy**

Building on its basic business policy, the Group is targeting further growth by continuing to offer its customers, individuals and corporation alike “one to only one” products and services. Utilizing the “one to only one platform” developed using various media, the Group is supporting the comfortable lives of its customers. This is done by providing products and services that serve needs or categories related to the various life situations faced by its customer base.

Utilizing the know-how gained from providing goods and services to serve the needs or categories of customers, the Group also provides corporate customers with solution services capable of linking various media to effectively market products and services to consumers through the entire process of simulating interest to purchases and use.

### **2-5 Corporate Governance**

- (1) Relationships with parent company, etc.

No parent company

- (2) Status of Establishment and Operations of Internal Control Organization

CYBIRD Holdings uses an operating officer system whereby the business executions of decisions taken by the Board of Directors are carried out under the guidance and orders of Group CEO. These officers delegate responsibility and authority to each operating officer in charge of a business, who then carry out operations in their own area of responsibility.

The major organizations and functions regarding executive management are as follows.

- a) Board of Directors

The Board of Directors comprises 7 directors including 3 outside directors. The regular monthly meetings and special meetings of the Board are held to consider significant business decisions and to monitor business activities.

- b) Audit Committee

The Audit Committee comprises 4 outside auditors, with 1 serving as a standing auditor. The Audit Committee’s meeting is held every month, implementing extensive audits of the appropriateness, efficiency and

compliance of business activities, and provides advice and recommendations on the suitability of business activities.

c) Executive Committee

The Executive Committee comprises 5 operating officers and a standing auditor. To be able to respond quickly to changes in markets and business environments, the Committee meets once a week in principle. Depending of the topic of discussion the Committee may have managers of specific business areas participate in the meeting. In addition, a Group Executive Committee comprising 9 operating officers from the Group companies meets in principle once a week to determine overall group strategy and to discuss and report on major issues.

d) Overall Administration and Internal Control System

For the purpose of achieving compliance with rules and regulations, the following supervisory departments ensure that the Company's internal monitoring system functions appropriately and effectively.

- i) Corporate Affairs Dept. Facilities, official corporate seals, stock management, legal guidance, etc. and information security management, etc.
- ii) Finance Dept. Budgets, funds, accounting regulations, etc.
- iii) HR Dept. Personnel management, recruiting, job management, etc.

e) Risk Management Committee

The Company has formed a Risk Management Committee with a representative director as Chairman. The mission of the committee is to take preventative actions against foreseen risks and to minimize damage from unexpected events.

The risk management activities of the committee include determining the risks faced by the overall group and considering corrective measures, implementing measures, and monitoring risk. In particular, the committee has taken steps to further strengthen its personal information management organization in response to the Private Information Protection Law enforced in April 2005 and to deal with the risk of leaking confidential information. Steps taken include setting up internal regulations, creating a manual, and carrying out staff training and awareness activities. In addition, the two subsidiaries responsible for core businesses, CYBIRD and JIMOS, have obtained Privacy Mark<sup>®</sup> certification.

f) Internal Monitoring Office

The officer for Internal Monitoring Office reports directly to Group CEO. In addition to monitoring special items indicated by Group CEO, the office monitors compliance with critical decisions made by each department, other company regulations, and monitoring business efficiency.

g) Environmental Preservation

We are voluntarily implementing environmental preservation measures, such as using recycled paper name card, and collection of waste paper. In the quarter under review, we have achieved a 1,032.01kg reduction of CO2 (equivalent to saving 29.13 trees). We also reduce electricity costs by shortening the operating hours of our air conditioning systems.

## 2-6 Major Issues

The Group's business environment, competitive environment, and customer needs are constantly changing at a rapid pace. Amid this volatile business environment, we see the following issues as key to further growth.

(1) Further Strengthening Earning Power

Based on the October 2006 transfer of CYBIRD and JIMOS to a holding company system, the Group has achieved the business integration of these two companies. The Group is now proceeding forward having determined a mid- to long-term vision of creating a "one to only one" platform, which will be established by fusing the respective strengths of CYBIRD and JIMOS—Mobile Communications and Human Communications.

Through the realization of this mid- to long-term vision, the Group seeks to strengthen its earning power by increasing its competitiveness in its Mobile Content, Commerce, Solutions, and International businesses. For its new

Advertising and Investment businesses, the Group is aiming to quickly establish business foundations and achieve profitability. Moreover, the Group is targeting stable operations for the Group as a whole following the integration of its businesses and achieving efficient Group operations.

(2) Strengthening and Expanding Internal Controls That Support Further Growth

In the past, the Group has positioned strengthening internal control systems as a major issue. However, with the substantial broadening of its business foundations based on business integration, the Group is seeking to further strengthen its control system. Specifically, the Group intends to do so by building a Group business management system based on clear managerial indicators, by establishing a business investment decision mechanism based on stricter investment criteria, by strengthening the operating officer system, by setting up the different types of committees allowed under the law, by stabilizing the personnel system, by augmenting personal information management system, and by reinforcing the risk management and compliance systems.

**2-7 Key Managerial Indicators**

The Group gives strong priority to cash flow in managing its businesses. On the other hand, from the point of view of achieving sustained business growth, the Group considers the sales growth, net income growth, and return on equity (ROE) ratios to be important representative managerial indicators, and aims to maximize corporate value over the mid- to long-term by improving these indicators.