

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheet

(Unit: Thousands of yen, Round down)

|                                   | Note | March 31, 2006   |            | March 31, 2007   |            | Changes          |             |
|-----------------------------------|------|------------------|------------|------------------|------------|------------------|-------------|
|                                   |      | Thousands of yen | %          | Thousands of yen | %          | Thousands of yen |             |
| Assets                            |      |                  |            |                  |            |                  |             |
| I Current assets                  |      |                  |            |                  |            |                  |             |
| 1 Cash and cash equivalents       | *1   | 1,946,363        |            | 4,614,251        |            |                  |             |
| 2 Accounts receivable             | *1   | 4,051,301        |            | 5,141,826        |            |                  |             |
| 3 Securities                      | *1   | 241,336          |            | 764,243          |            |                  |             |
| 4 Inventories                     |      | 23,199           |            | 921,217          |            |                  |             |
| 5 Deferred tax assets             |      | 95,696           |            | 168,639          |            |                  |             |
| 6 Others                          |      | 450,810          |            | 374,226          |            |                  |             |
| Allowance for doubtful accounts   |      | (29,905)         |            | (39,343)         |            |                  |             |
| Total current assets              |      | 6,778,802        | 35.8       | 11,945,062       | 52.9       | 5,166,260        |             |
| II Property and equipment         |      |                  |            |                  |            |                  |             |
| 1 Tangible fixed assets           |      |                  |            |                  |            |                  |             |
| (1) Building                      |      | 241,490          |            | 319,829          |            |                  |             |
| Accumulated depreciation          |      | 53,538           | 187,952    | 70,709           | 249,120    |                  |             |
| (2) Land                          |      |                  | -          |                  | 39,935     |                  |             |
| (3) Others                        | *1   | 322,768          |            | 348,172          |            |                  |             |
| Accumulated depreciation          |      | 196,480          | 126,287    | 166,414          | 181,758    |                  |             |
| Total tangible fixed assets       |      | 314,239          | 1.6        | 470,813          | 2.1        | 156,573          |             |
| 2 Intangible fixed assets:        |      |                  |            |                  |            |                  |             |
| (1) Software                      |      |                  | 692,842    |                  | 887,282    |                  |             |
| (2) Software in progress          |      |                  | 151,603    |                  | 118,860    |                  |             |
| (3) Goodwill                      |      |                  | 6,157,484  |                  | -          |                  |             |
| (4) Goodwill                      |      |                  | -          |                  | 6,144,710  |                  |             |
| (5) Others                        |      |                  | 159,734    |                  | 1,978      |                  |             |
| Total intangible fixed assets     |      |                  | 7,161,665  | 37.8             | 7,152,832  | 31.7             | (8,833)     |
| 3 Investment and other assets:    |      |                  |            |                  |            |                  |             |
| (1) Investment securities         | *2   |                  | 3,430,311  |                  | 1,410,355  |                  |             |
| (2) Deferred tax assets           |      |                  | 687,814    |                  | 464,782    |                  |             |
| (3) Deposit with landlord         |      |                  | 451,594    |                  | 655,112    |                  |             |
| (4) Others                        |      |                  | 133,059    |                  | 492,257    |                  |             |
| Allowance for doubtful accounts   |      |                  | -          |                  | (13,050)   |                  |             |
| Total investment and other assets |      |                  | 4,702,779  | 24.8             | 3,009,457  | 13.3             | (1,693,321) |
| Total property and equipment      |      |                  | 12,178,684 | 64.2             | 10,633,103 | 47.1             | (1,545,581) |
| Total Assets                      |      |                  | 18,957,486 | 100.0            | 22,578,165 | 100.0            | 3,620,679   |

(Unit: Thousands of yen, Round down)

|   | Note | March 31, 2006   |       | March 31, 2007   |      | Changes          |
|---|------|------------------|-------|------------------|------|------------------|
|   |      | Thousands of yen | %     | Thousands of yen | %    | Thousands of yen |
| Liabilities   |      |                  |       |                  |      |                  |
| I Current liabilities                               |      |                  |       |                  |      |                  |
| 1 Accounts payable                                  |      | 1,597,519        |       | 2,409,710        |      |                  |
| 2 Short-term debt                                   |      | 244,747          |       | 2,773,979        |      |                  |
| 3 Current portion of Corporate bonds payable        |      | 50,000           |       | -                |      |                  |
| 4 Accrued expenses                                  | *3   | 2,870,721        |       | 1,284,584        |      |                  |
| 5 Accrued income taxes                              |      | 295,156          |       | 129,891          |      |                  |
| 6 Accrued consumption taxes                         |      | 40,774           |       | 44,714           |      |                  |
| 7 Deferred tax assets                               |      | -                |       | 195              |      |                  |
| 8 Bonus payment reserve                             |      | 63,971           |       | 164,278          |      |                  |
| 9 Allowance for sales promotion                     |      | -                |       | 82,819           |      |                  |
| 10 Others   | *1   | 131,332          |       | 361,946          |      |                  |
| Total current liabilities                           |      | 5,294,222        | 28.0  | 7,252,121        | 32.1 | 1,957,898        |
| II Long-term liabilities                            |      |                  |       |                  |      |                  |
| 1 Corporate bond                                    | *1   | 379,477          |       | 340,456          |      |                  |
| 2 Long-term debt                                    |      | 112,237          |       | 100,093          |      |                  |
| 3 Reserve for employee's retirement benefit         |      | 22,327           |       | 17,970           |      |                  |
| 4 Deferred tax assets                               |      | -                |       | 51,751           |      |                  |
| 5 Others  | *1   | 1,511            |       | -                |      |                  |
| Total fixed debt                                    |      | 515,553          | 2.7   | 510,271          | 2.3  | (5,282)          |
| Total liabilities                                   |      | 5,809,776        | 30.7  | 7,762,392        | 34.4 | 1,952,616        |
| Minority interests                                  |      |                  |       |                  |      |                  |
| Minority interests                                  |      | 723,331          | 3.8   | -                | -    | (723,331)        |
| Shareholders' Equity                                |      |                  |       |                  |      |                  |
| I Common stock                                      |      | 5,451,700        | 28.8  | -                | -    | (5,451,700)      |
| II Additional paid-in capital                       |      | 5,508,395        | 29.1  | -                | -    | (5,580,395)      |
| III Retained earnings                               |      | 1,450,860        | 7.6   | -                | -    | (1,450,860)      |
| IV Unrealized gain in available-for-sale securities |      | 2,829            | 0.0   | -                | -    | (2,829)          |
| V Foreign currency transaction adjustment           |      | 10,592           | 0.0   | -                | -    | (10,592)         |
| Total shareholders' equity                          |      | 12,424,378       | 65.5  | -                | -    | (12,424,378)     |
| Total   |      | 18,957,486       | 100.0 | -                | -    | (18,957,486)     |

(Unit: Thousands of yen, Round down)

|  | Note | March 31, 2006   |   | March 31, 2007   |        | Changes          |
|--|------|------------------|---|------------------|--------|------------------|
|  |      | Thousands of yen | % | Thousands of yen | %      | Thousands of yen |
| Net Assets   |      |                  |   |                  |        |                  |
| <b>I Shareholders' equity</b>                      |      |                  |   |                  |        |                  |
| 1 Common stock                                     |      |                  | - | 5,503,317        | 24.4   | 5,503,317        |
| 2 Additional paid-in capital                       |      |                  | - | 14,469,049       | 64.0   | 14,469,049       |
| 3 Retained earnings                                |      |                  | - | (6,195,936)      | (27.4) | (6,195,936)      |
| Total shareholders' equity                         |      |                  | - | 13,776,430       | 61.0   | 13,776,430       |
| <b>II Valuation and translation adjustments</b>    |      |                  |   |                  |        |                  |
| 1 Unrealized gain in available-for-sale securities |      |                  | - | 15,597           | 0.1    | 15,597           |
| 2 Foreign currency translation adjustments         |      |                  | - | 138,720          | 0.6    | 138,720          |
| Total valuation and translation adjustments        |      |                  | - | 154,318          | 0.7    | 154,318          |
| <b>III Subscription right</b>                      |      |                  | - | 15,848           | 0.1    | 15,848           |
| <b>IV Minority interests</b>                       |      |                  | - | 869,175          | 3.8    | 869,175          |
| Total net assets                                   |      |                  | - | 14,815,773       | 65.6   | 14,815,773       |
| Total  |      |                  | - | 22,578,165       | 100.0  | 22,578,165       |

## (2) Consolidated Income Statements

(Unit: Thousands of yen, Round down)

|   | Note | FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006) |            |       | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007) |             |       | Changes          |
|---|------|--|------------|-------|--|-------------|-------|------------------|
|   |      | Thousands of yen   |            | %     | Thousands of yen   |             | %     | Thousands of yen |
| I Net Sales                                     |      |  | 15,089,011 | 100.0 |  | 23,571,145  | 100.0 | 8,482,134        |
| II Cost of sales                                |      |  | 9,526,737  | 63.1  |  | 12,868,382  | 54.6  | 3,341,645        |
| Gross Profit                                    |      |  | 5,562,274  | 36.9  |  | 10,702,763  | 45.4  | 5,140,488        |
| IIISelling, general and administrative expenses |      |  |            |       |  |             |       |                  |
| 1 Advertisement expenses                        |      | 236,980  |            |       | 1,767,014  |             |       |                  |
| 2 Allowance for doubtful accounts               |      | 29,892   |            |       | 5,165  |             |       |                  |
| 3 Allowance for sales promotion                 |      | -  |            |       | 16,272   |             |       |                  |
| 4 Compensation paid to directors                |      | 270,378  |            |       | 358,493  |             |       |                  |
| 5 Salaries                                      |      | 1,158,687  |            |       | 2,089,981  |             |       |                  |
| 6 Welfare expenses                              |      | 148,098  |            |       | 263,569  |             |       |                  |
| 7 Provision for bonus payment reserve           |      | 33,912   |            |       | 167,950  |             |       |                  |
| 8 Traveling and transportation expenses         |      | 127,003  |            |       | 167,648  |             |       |                  |
| 9 R&D costs                                     | *1   | 972,678  |            |       | 943,430  |             |       |                  |
| 10 Charge and commission                        |      | 1,852,792  |            |       | 1,999,228  |             |       |                  |
| 11 Write-down of conso. Adjustment account      |      | 16,446   |            |       | -  |             |       |                  |
| 12 Goodwill amortization                        |      | -  |            |       | 545,212  |             |       |                  |
| 13 Others                                       |      | 962,573  | 5,809,444  | 38.5  | 1,591,985  | 9,915,951   | 42.1  | 4,106,507        |
| Operating Income (Loss)                         |      |  | (247,169)  | (1.6) |  | 786,811     | 3.3   | 1,033,981        |
| IVNon-operating income                          |      |  |            |       |  |             |       |                  |
| 1 Interest received                             |      | 7,976  |            |       | 6,820  |             |       |                  |
| 2 Grant money                                   |      | -  |            |       | 29,840   |             |       |                  |
| 3 Foreign exchange gain                         |      | 301,744  |            |       | -  |             |       |                  |
| 4 Equity in net gain of an affiliate            |      | 35,466   |            |       | 11,855   |             |       |                  |
| 5 Others  |      | 7,749  | 352,936    | 2.3   | 13,859   | 62,374      | 0.3   | (290,562)        |
| V Non-operating expenses                        |      |  |            |       |  |             |       |                  |
| 1 Interest paid                                 |      | 33,999   |            |       | 148,321  |             |       |                  |
| 2 Share issue expenses                          |      | 18,720   |            |       | -  |             |       |                  |
| 3 Trust expenses for subscription rights        |      | 14,503   |            |       | -  |             |       |                  |
| 4 Foreign currency transaction gain             |      | -  |            |       | 315,381  |             |       |                  |
| 5 Equity in net gain of an affiliate            |      | -  |            |       | 1,908,341  |             |       |                  |
| 6 Others  |      | 2,639  | 69,863     | 0.5   | 29,475   | 2,401,519   | 10.2  | 2,331,655        |
| Total ordinary income (loss)                    |      |  | 35,903     | 0.2   |  | (1,552,333) | (6.6) | (1,588,236)      |
| VIExtraordinary profit                          |      |  |            |       |  |             |       |                  |
| 1 Gain on sale of property and equipment        | *2   | -  |            |       | 2,290  |             |       |                  |

|   |          |           |           |       |           |             |        |             |
|---|----------|-----------|-----------|-------|-----------|-------------|--------|-------------|
| 2 Gain on sale of investment securities           |          | -         |           |       | 7,481     |             |        |             |
| 3 Equity in net gain of an affiliate              |          | 853,112   |           |       | 91,419    |             |        |             |
| 4 Others  |          | -         | 853,112   | 5.7   | 14,532    | 115,724     | 0.5    | (737,388)   |
| VII Extraordinary loss                            |          |           |           |       |           |             |        |             |
| 1 Loss on sale of property and equipment          | *2<br>/3 | 7,639     |           |       | 46,976    |             |        |             |
| 2 Loss on sales of investment securities          |          | -         |           |       | 36,047    |             |        |             |
| 3 Loss on sales of associated company account     |          | 96,369    |           |       | -         |             |        |             |
| 4 Software reevaluation loss                      |          | 79,713    |           |       | 190,687   |             |        |             |
| 5 Loss on disposal of obsolete inventories        |          | -         |           |       | 19,120    |             |        |             |
| 6 Write-down of consolidation adjustment account  |          | 396,317   |           |       | -         |             |        |             |
| 7 Goodwill amortization                           |          | -         |           |       | 5,452,204 |             |        |             |
| 8 Loss on change in ownership ratio               |          | 45,521    |           |       | -         |             |        |             |
| 9 Restructuring expenses                          | *3       | 108,227   |           |       | -         |             |        |             |
| 10 Others   |          | 76,262    | 810,051   | 5.4   | 184,274   | 5,929,311   | 25.1   | 5,119,259   |
| Income Before Income Taxes and minority Interests |          |           | 78,964    | 0.5   |           | (7,365,920) | (31.2) | (7,444,884) |
| Income Taxes                                      |          | 623,861   |           |       | 155,895   |             |        |             |
| Prior Year income taxes                           |          | -         |           |       | 40,844    |             |        |             |
| Prior Year Adjustments of income taxes            |          | (168,802) | 455,058   | 3.0   | 310,375   | 507,115     | 2.2    | 52,056      |
| Profit (Loss) on minority interests               |          |           | (232,486) | 1.5   |           | (42,423)    | (0.2)  | 190,062     |
| Net Income (Loss)                                 |          |           | (143,607) | (1.0) |           | (7,830,611) | (33.2) | (7,687,004) |

(3) Consolidated Statement of Retained Earnings

|                             |  | FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)<br>Thousands of yen |           |
|-----------------------------|--|--|-----------|
| Additional paid-in capital: |  |  |           |
| I                           | Balance at the beginning of period     |  | 3,324,110 |
| II                          | Increase in additional paid-in capital |  |           |
|                             | Increase due to share issuance         | 2,184,285  | 2,184,285 |
| III                         | Balance at the end of period           |  | 5,508,395 |
| Retained earnings:          |  |  |           |
| I                           | Balance at the beginning of period     |  | 1,663,353 |
| II                          | Increase in retained earnings          |  |           |
|                             | Net income (loss)                      | (143,607)  | (143,607) |
| III                         | Decrease in retained earnings          |  |           |
|                             | Dividend                               | 68,886   | 68,886    |
| IV                          | Decrease in retained earnings          |  | 1,450,860 |

Consolidated Statement of Changes in Shareholders' Equity  
FY ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

|   | Shareholders' equity |                            |                   |             |
|---|----------------------|----------------------------|-------------------|-------------|
|   | Common stock         | Additional paid-in capital | Retained earnings | Total       |
| Balance at March 31, 2006<br>(thousands of yen)                     | 5,451,700            | 5,508,395                  | 1,450,860         | 12,410,956  |
| Changes   |                      |                            |                   |             |
| Change of shares  | -                    | 8,909,037                  | -                 | 8,909,037   |
| Share issue   | 51,616               | 51,616                     | -                 | 103,233     |
| Gain on new consolidation   | -                    | -                          | 224,330           | 224,330     |
| Loss on exclusion of consolidation                                  | -                    | -                          | (1,977)           | (1,977)     |
| Cash dividend (Note)  | -                    | -                          | (38,538)          | (38,538)    |
| Net income (loss)   | -                    | -                          | (7,830,611)       | (7,830,611) |
| Net increase (decrease) except for items under shareholders' equity | -                    | -                          | -                 | -           |
| Total (thousands of yen)  | 51,616               | 8,960,653                  | (7,646,796)       | 1,365,473   |
| Balance at March 31, 2007<br>(thousands of yen)                     | 5,503,317            | 14,469,049                 | (6,195,936)       | 13,776,430  |

|   | 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<br>(thousands of yen)                     | 2,829  | 10,592                                   | 13,422  | -                  | 723,331            | 13,147,710  |
| Changes   |  |  |         |                    |                    |             |
| Change of shares  | -  | -  | -       | -                  | -                  | 8,909,037   |
| Share issue   | -  | -  | -       | -                  | -                  | 103,233     |
| Gain on new consolidation   | -  | -  | -       | -                  | -                  | 224,330     |
| Loss on exclusion of consolidation                                  | -  | -  | -       | -                  | -                  | (1,977)     |
| Cash dividend (Note)  | -  | -  | -       | -                  | -                  | (38,538)    |
| Net income (loss)   | -  | -  | -       | -                  | -                  | (7,830,611) |
| Net increase (decrease) except for items under shareholders' equity | 12,768   | 128,127                                  | 140,895 | 15,848             | 145,844            | 302,589     |
| Total (thousands of yen)  | 12,768   | 128,127                                  | 140,895 | 15,848             | 145,844            | 1,668,062   |
| Balance at March 31, 2007<br>(thousands of yen)                     | 15,597   | 138,720                                  | 154,318 | 15,848             | 869,175            | 14,815,773  |

(Note) Appropriation of earnings related to Regular General Meeting of Shareholders held in June 2006.

## (4) Consolidated Cash Flow Statements

(Unit: Thousands of yen, Round down)

|   | FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006) | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007) |
|---|--|--|
|   | thousands of yen   | thousands of yen   |
| <b>I Operating activities:</b>  |  |  |
| 1 Income (loss) before income taxes and minority interest                         | 78,964   | (7,365,920)  |
| 2 Depreciation and amortization   | 766,399  | 574,095  |
| 3 Write-down of consolidation adjustment account                                  | 412,763  | -  |
| 4 Goodwill amortization   | -  | 545,212  |
| 5 Restructuring expenses  | 108,227  | -  |
| 6 Increase (decrease) in bonus payment reserve                                    | (77,754)   | 59,672   |
| 7 Decrease in allowance for doubtful accounts                                     | (6,440)  | (13,583)   |
| 8 Decrease in allowance for damage  | -  | (17,283)   |
| 9 Increase in allowance for sales promotion                                       | -  | 14,527   |
| 10 Increase (decrease) in reserve for employee's retirement benefits              | (9,963)  | (4,434)  |
| 11 Interests and dividend earned  | (7,976)  | (7,212)  |
| 12 Interest expenses  | 33,999   | 148,321  |
| 13 Equity in net losses of an affiliate   | -  | 1,908,341  |
| 14 Equity in net earnings of an affiliate   | (35,466)   | (11,855)   |
| 15 Loss on impairments of goodwill  | -  | 5,452,204  |
| 16 Gain on sales of investment securities   | -  | (7,481)  |
| 17 Gain on sales of shares of affiliate   | (853,112)  | (91,419)   |
| 18 Loss on sales of investment securities   | 96,369   | -  |
| 19 Appraisal loss on investment securities  | -  | 36,047   |
| 20 Loss on sale of tangible fixed assets  | 7,639  | 46,976   |
| 21 Gain (Loss) on change of equity  | 45,521   | -  |
| 22 Impairment of software   | 79,713   | 190,687  |
| 23 (Increase) decrease in accounts receivable                                     | (332,100)  | (331,369)  |
| 24 (Increase) decrease in inventories   | 39,533   | (93,025)   |
| 25 Increase (decrease) in accounts payable  | (21,961)   | 467,659  |
| 26 Increase (decrease) in accrued expenses  | (649,791)  | (88,764)   |
| 27 Others   | (100,434)  | 297,460  |
| Total   | (425,869)  | 1,708,856  |
| 28 Interests and dividends received   | 7,484  | 8,744  |
| 29 Dividends received from companies accounted for by the equity method           | 14,857   | 17,333   |
| 30 Interest paid  | (32,781)   | (144,561)  |
| 31 Income tax paid  | (1,191,970)  | (361,660)  |
| <b>Cash flow from operating activities</b>  | <b>(1,628,280)</b>   | <b>1,228,712</b>   |
| <b>II Investing activities:</b>   |  |  |
| 1 Increase (decrease) in fixed deposit  | 15,992   | 270,870  |
| 2 Expenditures for property and equipment   | (117,140)  | (101,239)  |
| 3 Expenditure for intangible fixed assets   | (769,543)  | (672,267)  |
| 4 Proceeds from intangible fixed assets   | -  | 7,000  |
| 5 Expenditure for sales of investment securities                                  | (1,067,660)  | -  |
| 6 Proceeds from sales of investment securities                                    | 994,000  | 497,196  |
| 7 Expenditure for purchase of stocks of subsidiaries changing consolidation scope | (3,825,751)  | (111,108)  |
| 8 Proceeds from sales of stocks of subsidiaries changing consolidation scope      | (112,278)  | (248,679)  |

|  |    |                    |                    |
|--|----|--------------------|--------------------|
| 9 Expenditure for purchase of additional stocks of subsidiaries                |    | -                  | (2,310,438)        |
| 10 Proceeds from investment securities   |    | 75,049             | -                  |
| 11 Proceeds from short-term lending  |    | -                  | 95,263             |
| 12 Expenditures for deposits with landlord                                     |    | (88,001)           | (18,701)           |
| 13 Proceeds from deposits with landlord  |    | 2,838              | 36,713             |
| 14 Others  |    | (26,942)           | (23,957)           |
| <b>Cash flow from investing activities</b>                                     |    | <b>(4,919,438)</b> | <b>(2,579,347)</b> |
| <b>III Financing activities:</b>   |    |                    |                    |
| 1 Proceeds from short-term debt  |    | 200,000            | 2,980,438          |
| 2 Repayment of short-term debt   |    | (203,994)          | (459,290)          |
| 3 Proceeds from long-term debt   |    | 200,000            | 80,000             |
| 4 Repayment of long-term debt  |    | (116,228)          | (57,137)           |
| 5 Proceeds from issuance of new bonds  |    | 319,224            | -                  |
| 6 Expenditure for bond redemption  |    | (50,000)           | (25,000)           |
| 7 Proceeds from issuance of new shares   |    | 4,349,850          | 103,233            |
| 8 Capital subscription from minority share holders                             |    | 435,000            | 445,000            |
| 9 Dividends payment  |    | (69,429)           | (55,350)           |
| 10 Others  |    | -                  | (135,568)          |
| <b>Cash flow from financing activities</b>                                     |    | <b>5,064,422</b>   | <b>2,876,325</b>   |
| <b>IV Foreign currency translation adjustment of cash and cash equivalents</b> |    | <b>(72,752)</b>    | <b>(13,268)</b>    |
| V Increase (decrease) in cash and cash equivalents                             |    | (1,556,047)        | 1,512,422          |
| VI Cash and cash equivalents at the beginning of period                        |    | 3,253,984          | 1,697,936          |
| VII Increase in cash and cash equivalents by exchange shares                   |    | -                  | 1,953,893          |
| VIII Cash and cash equivalents at the end of period                            | *1 | 1,697,936          | 5,164,251          |

Notes to Consolidated Financial Statements

|                          | FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)   | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007)   |
|--------------------------|--|--|
| 1 Basis of Consolidation | <p>(1) Number of Consolidated Companies: 8<br/>Names of Consolidated Companies<br/>GiGAFLOPS Japan Inc.<br/>AXISSOFT Corporation<br/>CYB INVESTMENT INC.<br/>Airborne Entertainment Inc.<br/>PLUS MOBILE COMMUNICATIONS Co., Ltd.<br/>CYBIRD International Partners Inc.<br/>CYBIRD Mobilecasting Inc.<br/>CYBIRD Plus Mobile Fund Investment Business Limited Partnership<br/>C&amp;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.<br/>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 fiscal year.<br/>The shares of Airborne Entertainment Inc. were acquired through CYB INVESTMENT INC. and were included in the scope of consolidation for the accounting year under review.</p> <p>(2) Names of Significant Non-consolidated Subsidiaries<br/>Not applicable</p> | <p>(1) Number of Consolidated Companies: 15<br/>Names of Consolidated Companies<br/>CYBIRD Co., Ltd.<br/>JIMOS CO., LTD.<br/>GiGAFLOPS Japan Inc.<br/>CYB INVESTMENT INC.<br/>Airborne Entertainment Inc.<br/>Cellus U.S.A. INC.<br/>PLUS MOBILE COMMUNICATIONS Co., Ltd.<br/>CYBIRD Investment Partners Inc.<br/>CYBIRD Mobilecasting Inc.<br/>CYBIRD Plus Mobile Fund Investment Business Limited Partnership<br/>Outlet Plaza Co., Ltd.<br/>Doctor's Bio Laboratory Co., Ltd.<br/>Commerce21 Corporation<br/>JDM Investment Partnership<br/>S-CREW Inc.<br/>Among consolidated subsidiaries, JIMOS CO., LTD., was previously an affiliate accounted for by the equity method. However, JIMOS became a wholly owned subsidiary following a share exchange concluded on October 1, 2006 and was made a consolidated subsidiary. JIMOS's subsidiaries, Outlet Plaza Co., Ltd.; Dr.'s Bio Laboratory Co., Ltd.; Commerce21 Corporation; and the JDM Investment Partnership are also consolidated subsidiaries. CYBIRD Co., Ltd. became a wholly owned subsidiary following a corporate split concluded on October 2, 2006 and was made a consolidated subsidiary. The Company acquired a 53.6% stake in S-CREW Inc. on November 30, 2006, also including it in consolidation. However, since the deemed date of acquisition was the end of the third quarter, only the balance sheet of S-CREW has been included in consolidation.<br/>AXISSOFT Corporation, a wholly owned subsidiary in previous consolidated fiscal year, has been removed from consolidation following the sale of its shares. However, for the period from April 1, 2006 to December 31, 2006 (deemed date of sale), the company's income statements and cash flow statements have been consolidated.</p> <p>(2) Names of Significant Non-consolidated Subsidiaries<br/>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<br/>Names of companies accounted for by the equity method:<br/>DMOVE Co., Ltd.<br/>JIMOS CO., LTD.<br/>Since additional acquisition of shares of JIMOS has pushed the Company's holding beyond 20%, JIMOS has been made an affiliate accounted for by the equity method.<br/>Due to the sale of shares of KLab Inc., the company is no longer accounted for by the equity</p>  | <p>(1) See left</p> <p>(2) Number of affiliates accounted for by the equity method: 1<br/>Names of companies accounted for by the equity method:<br/>DMOVE Co., Ltd.<br/>JIMOS CO., LTD.<br/>JIMOS CO., LTD., is no longer an affiliate accounted for by the equity method since it became a wholly owned subsidiary on October 1, 2006, following a share exchange.<br/>However, it is accounted for by the equity method until September 30, 2006.</p>   |

|  |  |   |
|--|--|---|
|  | <p>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 fiscal year end on June 30. In the preparation of the consolidated financial statements, therefore, a balance sheet of the most recent fiscal year was used.</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>JIMOS CO., LTD., accounted for by the equity method, has its fiscal year end on June 30. In the preparation of the consolidated financial statements, therefore, a balance sheet of the most recent fiscal year was used.</p>   |
| <p>3 Interim (fiscal) account date of Consolidated Subsidiaries</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. and CYBIRD Plus Mobile Fund Investment Business Limited Partnership 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>Among consolidated subsidiaries, the settlement of accounts date for CYB INVESTMENT INC. and its subsidiary Airborne Entertainment Inc., Cellus U.S.A., INC., CYBIRD Plus Mobile Investment Business Partnership and Commerce 21 Corporation is December 31. The account settlement date for the JDM Investment Partnership is October 31, and that for S-CREW Inc. is August 31. In preparing consolidated financial statements, the financial statements as of the account settlement date of CYB INVESTMENT INC., Airborne Entertainment Inc. and Cellus U.S.A., INC. have been used. Necessary adjustments have been made to the Company's consolidated statements for significant transactions occurring during the period from these account settlement dates and the account settlement date of consolidated financial statements.</p> <p>For CYBIRD Plus Mobile Investment Partnership, JDM Investment Partnership, Commerce21 Corporation, and S-CREW Inc., provisional financial statements have been drawn up as of the consolidation account settlement date for the third quarter. The settlement of account date for all other consolidated subsidiaries is the same as the consolidation account settlement date.</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 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.</p> <p>Non-marketable securities: stated at cost determined by the moving-average method.</p> <p>b. Inventories</p> <p>- Merchandise</p>   | <p>a. Securities</p> <p>Other Securities</p> <p>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.</p> <p>Non-marketable securities: See left</p> <p>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. 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>Valuation at cost mainly by the moving-average cost method</p> <p>- Work in Process</p> <p>See left</p>  |
| (2) Depreciation Method for Depreciable Asset | <p>c. Derivative</p> <p>Valuation at cost at fair</p> <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>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>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>- Stored Items</p> <p>Recent purchase method</p> <p>c. Derivative</p> <p>See left</p> <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      3 to 50 years</p> <p>Furniture and fixtures                      3 to 15 years</p> <p>b. Intangible Fixed Asset</p> <p>Intangible Fixed Asset was valued at the declining-balance method.</p> <p>Software for in-house use is amortized using the straight-line method based on a useful life within the Company of 3 to 5 years. Software that is being sold by the Group is amortized as the greater of the amount of estimated sales value times the proportion of sales in the fiscal year under review or the amount calculated by the straight-line method based on the estimated effective shelf life (within three years).</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 Methods for Deferred Assets    | <p>a. New share issuing expenses</p> <p>All new share issuing expenses are expensed at time of disbursement.</p>  | <p>a. New share issuing expenses</p> <p>See left</p>  |
| (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>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>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>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> <p>-----</p>  | <p>See left</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 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 sport rate for the fiscal year. Translation differences are included in translation adjustments and in minority interests</p> | <p>d. Allowance for Sales Promotions</p> <p>To prepare for expenses related to the bonus points awarded to customers under the bonus point system used for sales promotions, an amount equivalent to the points expected to be used in future is booked based on actual results in prior years.</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 sport rate for the fiscal year. Translation differences are included in translation adjustments and in minority interests</p> |
| (6) Accounting for Significant Lease Transactions   | <p>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.</p>   | <p>See left</p>   |
| (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>   |
| 5. Evaluation of assets and liabilities of consolidated subsidiaries.                                       | <p>The mark-to-market method is used for the evaluation of the assets and liabilities of all consolidated subsidiaries.</p>   | <p>Same as on left</p>  |
| 6. Amortization of the consolidation account.   | <p>The consolidation account is amortized over a period in which the benefits of the investment are expected to be realized.</p>  | <p>-----</p>  |
| 7. Amortization of goodwill   | <p>-----</p>  | <p>Goodwill is amortized over a period in which the benefits of the investment are expected to be realized.</p>   |
| 8. Appropriation of earnings.   | <p>The appropriation of earnings portion of the consolidated statement of retained earnings is prepared based on the appropriation of earnings deemed to have been taken in the consolidated accounting period.</p>   | <p>-----</p>  |
| 9. Summary of Principle Differences in Accounting Standards of Parent Company and Consolidated Subsidiaries | <p>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 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.</p>  | <p>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 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.</p>  |
| 10. Cash and Cash Equivalents in Interim Consolidated Cash Flow Statements                                  | <p>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.</p>  | <p>See left</p>   |

## Change of notes to Consolidated Financial Statements

| FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)   | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007)   |
|--|--|
| <p>Fixed Asset Impairment Accounting Standards</p> <p>Beginning with the fiscal year 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.</p> | <p>-----</p>   |
| <p>-----</p>   | <p>Accounting Standards for the Presentation of Shareholders' Equity in the Balance Sheets</p> <p>Commencing with the fiscal year 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 ¥13,930,748,000. 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.</p> |
| <p>-----</p>   | <p>Accounting Standards for Stock Options</p> <p>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 fiscal year under review are ¥15,848,000 lower compared with the previous accounting methods.</p>  |
| <p>-----</p>   | <p>Accounting standards for business integrations</p> <p>Beginning with the consolidated accounting period under review, the Company is applying Accounting Standards for Business Integrations (Business Accounting Council October 31, 2003) and Practical Guidelines for Business Integration Accounting Standards and Business Split, etc. Accounting Standards (Accounting Standards Board of Japan December 27, 2005, Accounting Standards Guidelines No. 10). As a result of the application of these new accounting standards, the consolidation accounting included under intangible assets on the consolidated balance sheets of the previous consolidated accounting period are presented as Goodwill commencing with the consolidated accounting period under review.</p>  |

### Changes in Presentation Method

| FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)  | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007 )  |
|---|--|
| -----   | <p>( Consolidated balance sheets )</p> <p>There was no change in the account name for goodwill due to the revision of the rules for preparation of consolidated financial statements (change in Japanese account name only). Goodwill totaling ¥6,157,484 thousand was included in the previous consolidated accounting period under intangible assets.</p>  |
| <p>( Consolidated Income Statements )</p> <p>Because Translation Gains included under Others in Non-operating Income and Expenses in the previous interim period exceeded 10% of total non-operating income, they are being presented as a separate item starting with the fiscal year under review. Translation Gains included under Others in Non-operating Income and Expenses in the previous fiscal year are ¥160,000.</p> | <p>( Consolidated net income statement )</p> <p>In accordance with a revision in the rules for preparing consolidated financial statements, the consolidation account amortization expenses (¥16,446 thousand at the end of the previous fiscal accounting period) included under selling, general and administrative expenses and the goodwill amortization expenses (¥185,650 thousand at the end of the previous fiscal accounting period) included in others in the previous fiscal accounting period have been included under goodwill amortization expenses starting with the fiscal accounting period under review.</p> |
| -----   | <p>( Consolidated cash flow statements )</p> <p>In accordance with a revision in the rules for preparing consolidated financial statements, the consolidation account amortization expenses (¥412,763 thousand at the end of the previous fiscal accounting period) and the goodwill amortization expenses (¥185,650 thousand at the end of the previous fiscal accounting period) included depreciation expenses in the previous fiscal accounting period have been included under goodwill amortization expenses starting with the fiscal accounting period under review.</p>  |

### Notes

#### Notes for Consolidated Balance Sheet

| March 31, 2006  | March 31, 2007  |
|---|---|
| <p>1. Assets used as collateral and related debt</p> <p>Airborne Entertainment Inc. has pledged liquid assets totaling ¥388,216 thousand (US\$3,293 thousand) as collateral for corporate bonds issued at ¥310,124 thousand ( US\$2,631 thousand).</p> <p>Airborne Entertainment Inc. has pledged other tangible fixed assets totaling ¥10,195 thousand (US\$86 thousand) obtained under a lease agreement as collateral for its lease agreement liabilities (Other current liabilities of ¥2,732 thousand ( US\$23 thousand ) and other fixed liabilities of ¥979 thousand ( US\$ 8 thousand).</p> | <p>1. Assets used as collateral and related debt</p> <p>Airborne Entertainment Inc. has pledged liquid assets totaling ¥392,300 thousand (US\$3,293 thousand) as collateral for corporate bonds issued at ¥320,461 thousand ( US\$2,690 thousand).</p> <p>JIMOS CO., LTD has pledged cash and deposits totaling ¥400 thousand as collateral for business guarantees.</p>  |
| <p>2. Figures related to affiliates out of the Investment Securities</p> <p>Shares <span style="float: right;">¥3,113,196 thousand</span></p>   | <p>2. Figures related to affiliates out of the Investment Securities</p> <p>Shares <span style="float: right;">¥24,478 thousand</span></p>  |
| <p>3. 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>4. 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 <span style="float: right;">¥6,500 million</span></p>  | <p>3. Current account overdraft agreement</p> <p>To enable the effective funding of operating funds, the Company concluded a current account draft agreement with two banks it does business with.</p> <p>The overdraft balance on the current overdraft agreement at the end of the fiscal year under review was as follows.</p> <p>Overdraft ceiling <span style="float: right;">¥ 2,500 million</span></p> <p>Current overdraft <span style="float: right;">¥ 300 million</span></p> |

|  |   |                 |                      |                   |                             |                   |                      |
|--|---|-----------------|----------------------|-------------------|-----------------------------|-------------------|----------------------|
| Current overdraft balance<br>- million yen   | Remaining balance<br>¥ 2,200 million  |                 |                      |                   |                             |                   |                      |
| -----  | <p>4. Commitment line agreement</p> <p>To enable the effective funding of operating funds, the Company concluded a commitment line agreement with two banks it does business with.</p> <p>The actual borrowings on the commitment line agreement at the end of the fiscal year under review was as follows.</p> <table> <tr> <td>Commitment line</td> <td>¥ 3,000,000 thousand</td> </tr> <tr> <td><u>Borrowings</u></td> <td><u>¥ 1,762,486 thousand</u></td> </tr> <tr> <td>Remaining balance</td> <td>¥ 1,237,513 thousand</td> </tr> </table> | Commitment line | ¥ 3,000,000 thousand | <u>Borrowings</u> | <u>¥ 1,762,486 thousand</u> | Remaining balance | ¥ 1,237,513 thousand |
| Commitment line  | ¥ 3,000,000 thousand  |                 |                      |                   |                             |                   |                      |
| <u>Borrowings</u>  | <u>¥ 1,762,486 thousand</u>   |                 |                      |                   |                             |                   |                      |
| Remaining balance  | ¥ 1,237,513 thousand  |                 |                      |                   |                             |                   |                      |
| <p>5. 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 according to the attainment of its performance plan for 2006. Portions from 0% to 100% of this amount will be paid as additional amounts.</p> | -----   |                 |                      |                   |                             |                   |                      |

#### Notes for Consolidated Income Statements

(Millions of yen: round down)

| FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)  | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007)                                     |
|---|--|
| 1. Total of R&D expenses 972  | 1. Total of R&D expenses 943   |
| -----   | <p>2. Gain on sales of properties</p> <p>Vehicle and delivery equipment 2</p>                            |
| <p>2. Loss on disposal of properties</p> <p>Software 1</p> <p>Office equipment 4</p> <p>Restoration fee 1</p>   | <p>3. Loss on disposal of properties</p> <p>Software 0</p> <p>Office equipment 14</p> <p>Building 31</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 Period )

FY ended March 31, 2007 ( From April 1, 2006 to March 31, 2007 )

1. 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 the period ( Shares ) | Decrease in shares during the period ( Shares ) | Number of shares at end of the period ( Shares ) |
|--------------------------|--|---|---|--|
| Issued shares            |  |   |   |  |
| Common shares (Note 1)   | 230,767  | 58,856  | -   | 289,623  |
| Total                    | 230,767  | 58,856  | -   | 289,623  |
| Treasury stocks          |  |   |   |  |
| Common shares (Note2, 3) | -  | 26  | 26  | -  |
| Total                    | -  | 26  | 26  | -  |

(Note) 1. Of the increase in shares issue, exercise of stock options accounted for 627 shares and the share exchange accounted for 58,229 shares.

2. The increase of 26 shares in treasury stock was due to purchase requests related to the share exchange.

3. The decrease of 26 shares in treasury stock was due to the sale of shares on the market in accordance with purchase requests.

2. Stock Dividends

(1) Amount of Dividends Paid

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

(2) Amount of Dividends Paid

| ( Resolution )  | Type of Shares | Total Dividend Amount ( Thousand of yen ) | Source of dividend         | Dividend per Share ( Yen ) | Date of Record | Effective Date |
|---|----------------|---|----------------------------|----------------------------|----------------|----------------|
| June 28, 2007 Regular General Meeting of Shareholders | Common shares  | 48,367                                    | Additional paid-in capital | 167                        | March 31, 2007 | June 29, 2007  |

Notes for Consolidated Cash Flow Statements

( Millions of yen: round down )

| FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)   | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
|--|--|----------------|-------------------|--------------|-------------------|---------------------|--------------------------------------|-------|---------------------------|-------|----------------|-----|--------------|-----|-----------------------------|-------|---------------------|---------|-------------------|-----|-------------------|-------|------------------------|-------|-----------------------|---------|------------------------------------|------|---------------|-----|-----------------------------------|-------|----------------|-----|------------------------|----|---------------------|------|-----------------------|---|---------------|------|------------------------------|----|-------------|----|---------------------|--|-------------------|----|---------------------------|------|---------------------------|-------|--|-------|--|---------------------------|-------|------------|-----|-------|-------|---------------------------|-------|----------------|---------------------|--------------|---------------------|--------------|---------------------|---------------------|---------------------|-----------------------|------------------|-------------------|---------------------|----------------|-------------------|--------------|------------------|-----------------------------|-------------------|---------------------|---------------------|-----------------------|---------------------|---------------------------------|--------------------|-----------------------------|-------------------|-------------------------------------|--------------------|---|-------------------|
| <p>1. Relationship between Balance of Cash and Cash Equivalents and Items in the Consolidated Balance Sheets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposit accounts</td> <td style="text-align: right;">1,946</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,946</td> </tr> <tr> <td>Fixed deposit over three months left</td> <td style="text-align: right;">(248)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">1,697</td> </tr> </table> <p>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.</p> <p>Airborne Entertainment Inc.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">571</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">657</td> </tr> <tr> <td>Investment Diff. (Goodwill)</td> <td style="text-align: right;">5,878</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(1,007)</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Minority interest</td> <td style="text-align: right;">(145)</td> </tr> <tr> <td>Airborne purchase cost</td> <td style="text-align: right;">5,953</td> </tr> <tr> <td>Purchase cost arrears</td> <td style="text-align: right;">(2,357)</td> </tr> <tr> <td>Airborne cash and cash equivalents</td> <td style="text-align: right;">(34)</td> </tr> <tr> <td>Exchange gain</td> <td style="text-align: right;">264</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance: amount paid for Airborne</td> <td style="text-align: right; border-top: 1px solid black;">3,825</td> </tr> </table> <p>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&amp;T Mobile Support Co., Ltd.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">218</td> </tr> <tr> <td>Property and equipment</td> <td style="text-align: right;">46</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(86)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Loss on sales</td> <td style="text-align: right;">(96)</td> </tr> <tr> <td style="border-top: 1px solid black;">C&amp;T Mobile Support Co., Ltd.</td> <td style="text-align: right; border-top: 1px solid black;">81</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">81</td> </tr> <tr> <td>(Net of commission)</td> <td></td> </tr> <tr> <td>Unpaid commission</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Accounts payable on sales</td> <td style="text-align: right;">(91)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">(112)</td> </tr> <tr> <td style="border-top: 1px solid black;">Balance: amount paid for excluding C&amp;T Mobile Support Co., Ltd. from consolidation</td> <td style="text-align: right; border-top: 1px solid black;">(112)</td> </tr> </table> | Cash and deposit accounts  | 1,946          | Securities        | -            | Total             | 1,946               | Fixed deposit over three months left | (248) | Cash and cash equivalents | 1,697 | Current assets | 571 | Fixed assets | 657 | Investment Diff. (Goodwill) | 5,878 | Current liabilities | (1,007) | Fixed liabilities | (2) | Minority interest | (145) | Airborne purchase cost | 5,953 | Purchase cost arrears | (2,357) | Airborne cash and cash equivalents | (34) | Exchange gain | 264 | Balance: amount paid for Airborne | 3,825 | Current assets | 218 | Property and equipment | 46 | Current liabilities | (86) | Long-term liabilities | - | Loss on sales | (96) | C&T Mobile Support Co., Ltd. | 81 | Sales Price | 81 | (Net of commission) |  | Unpaid commission | 10 | Accounts payable on sales | (91) | Cash and cash equivalents | (112) | Balance: amount paid for excluding C&T Mobile Support Co., Ltd. from consolidation | (112) | <p>1. Relationship between Balance of Cash and Cash Equivalents and Items in the Consolidated Balance Sheets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposit accounts</td> <td style="text-align: right;">4,614</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">550</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">5,164</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">5,164</td> </tr> </table> <p>2. Major assets and liabilities of companies that became consolidated companies because they were acquired.</p> <p>(1) The major assets and liabilities acquired of JIMOS CO., LTD., and its 4 consolidated subsidiaries through the share exchange agreement were as follows. The increase in the Company's capital as a result of the share exchange was ¥8,909,037 thousand.</p> <p style="padding-left: 20px;">JIMOS CO., LTD. And 4 consol. subsidiaries</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">¥4,116,415 thousand</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">¥2,211,895 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total assets</td> <td style="text-align: right; border-top: 1px solid black;">¥6,328,310 thousand</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">¥1,334,686 thousand</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">¥19,724 thousand</td> </tr> <tr> <td style="border-top: 1px solid black;">Total liabilities</td> <td style="text-align: right; border-top: 1px solid black;">¥1,354,411 thousand</td> </tr> </table> <p>(2) The assets and liabilities of S-CREW at the time of consolidation and the relationship between the acquisition price of S-CREW and the expense (net amount) paid for acquiring the stock of S-CREW resulting from the consolidation of S-CREW Inc. due to the acquisition of its stock by the Company are as follows.</p> <p style="padding-left: 20px;">S-CREW Inc.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">¥355,062 thousand</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">¥70,721 thousand</td> </tr> <tr> <td>Net difference ( goodwill )</td> <td style="text-align: right;">¥136,528 thousand</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(¥252,517 thousand)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;">(¥148,132 thousand)</td> </tr> <tr> <td>Minority shareholders' interest</td> <td style="text-align: right;">(¥11,662 thousand)</td> </tr> <tr> <td style="border-top: 1px solid black;">Acquisition price of S-CREW</td> <td style="text-align: right; border-top: 1px solid black;">¥150,000 thousand</td> </tr> <tr> <td>Cash and cash equivalents of S-CREW</td> <td style="text-align: right;">(¥38,891 thousand)</td> </tr> <tr> <td style="border-top: 1px solid black;">Difference: expenses of acquiring stock of S-CREW</td> <td style="text-align: right; border-top: 1px solid black;">¥111,108 thousand</td> </tr> </table> | Cash and deposit accounts | 4,614 | Securities | 550 | Total | 5,164 | Cash and cash equivalents | 5,164 | Current assets | ¥4,116,415 thousand | Fixed assets | ¥2,211,895 thousand | Total assets | ¥6,328,310 thousand | Current liabilities | ¥1,334,686 thousand | Long-term liabilities | ¥19,724 thousand | Total liabilities | ¥1,354,411 thousand | Current assets | ¥355,062 thousand | Fixed assets | ¥70,721 thousand | Net difference ( goodwill ) | ¥136,528 thousand | Current liabilities | (¥252,517 thousand) | Long-term liabilities | (¥148,132 thousand) | Minority shareholders' interest | (¥11,662 thousand) | Acquisition price of S-CREW | ¥150,000 thousand | Cash and cash equivalents of S-CREW | (¥38,891 thousand) | Difference: expenses of acquiring stock of S-CREW | ¥111,108 thousand |
| Cash and deposit accounts  | 1,946  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Securities   | -  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Total  | 1,946  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed deposit over three months left   | (248)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Cash and cash equivalents  | 1,697  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current assets   | 571  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed assets   | 657  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Investment Diff. (Goodwill)  | 5,878  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current liabilities  | (1,007)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed liabilities  | (2)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Minority interest  | (145)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Airborne purchase cost   | 5,953  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Purchase cost arrears  | (2,357)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Airborne cash and cash equivalents   | (34)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Exchange gain  | 264  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Balance: amount paid for Airborne  | 3,825  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current assets   | 218  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Property and equipment   | 46   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current liabilities  | (86)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Long-term liabilities  | -  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Loss on sales  | (96)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| C&T Mobile Support Co., Ltd.   | 81   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Sales Price  | 81   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| (Net of commission)  |  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Unpaid commission  | 10   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Accounts payable on sales  | (91)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Cash and cash equivalents  | (112)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Balance: amount paid for excluding C&T Mobile Support Co., Ltd. from consolidation   | (112)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Cash and deposit accounts  | 4,614  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Securities   | 550  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Total  | 5,164  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Cash and cash equivalents  | 5,164  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current assets   | ¥4,116,415 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed assets   | ¥2,211,895 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Total assets   | ¥6,328,310 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current liabilities  | ¥1,334,686 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Long-term liabilities  | ¥19,724 thousand   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Total liabilities  | ¥1,354,411 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current assets   | ¥355,062 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed assets   | ¥70,721 thousand   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Net difference ( goodwill )  | ¥136,528 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current liabilities  | (¥252,517 thousand)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Long-term liabilities  | (¥148,132 thousand)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Minority shareholders' interest  | (¥11,662 thousand)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Acquisition price of S-CREW  | ¥150,000 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Cash and cash equivalents of S-CREW  | (¥38,891 thousand)   |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Difference: expenses of acquiring stock of S-CREW  | ¥111,108 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
|  | <p>3. Major assets and liabilities of companies that ceased being consolidated subsidiaries because of the sale of stock.</p> <p>Major assets and liabilities of AXISSOFT Corporation which ceased being a consolidated subsidiary at the time of sale of stock and the expense arising from the sales price and sales cost are as follows.</p> <p style="padding-left: 20px;">AXISSOFT Corporation</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">¥754,159 thousand</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">¥253,076 thousand</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(¥456,410 thousand)</td> </tr> </table> | Current assets | ¥754,159 thousand | Fixed assets | ¥253,076 thousand | Current liabilities | (¥456,410 thousand)                  |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current assets   | ¥754,159 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Fixed assets   | ¥253,076 thousand  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |
| Current liabilities  | (¥456,410 thousand)  |                |                   |              |                   |                     |                                      |       |                           |       |                |     |              |     |                             |       |                     |         |                   |     |                   |       |                        |       |                       |         |                                    |      |               |     |                                   |       |                |     |                        |    |                     |      |                       |   |               |      |                              |    |             |    |                     |  |                   |    |                           |      |                           |       |  |       |  |                           |       |            |     |       |       |                           |       |                |                     |              |                     |              |                     |                     |                     |                       |                  |                   |                     |                |                   |              |                  |                             |                   |                     |                     |                       |                     |                                 |                    |                             |                   |                                     |                    |   |                   |

|                                 |                     |
|---------------------------------|---------------------|
| Long-term liabilities           | (¥170,476 thousand) |
| Minority shareholders' interest | (¥225,113 thousand) |
| Gain on sale of shares          | ¥91,363 thousand    |
| Sales price of AXISSOFT shares  | ¥246,600 thousand   |
| Cash and cash equivalents       | (¥495,279 thousand) |
| Difference: expenses on sale    | (¥248,679 thousand) |

## Business Segment information

### a. Business segment information

Previous consolidated fiscal year (April 1, 2005 to March 31, 2006)

The principle businesses of the Group are the provision of content via mobile phones, etc. and the development of content providing 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.

Current consolidated fiscal year (April 1, 2006 to March 31, 2007)

(Thousands of yen)

|   | Mobile Content Business | Commerce Business | Marketing Solution Business | Advertising Business | Investment Business | International Business | Total      | Eliminations or corporate | Consolidated |
|---|-------------------------|-------------------|-----------------------------|----------------------|---------------------|------------------------|------------|---------------------------|--------------|
| I Net sales and operating income or loss                                    |                         |                   |                             |                      |                     |                        |            |                           |              |
| Net sales   |                         |                   |                             |                      |                     |                        |            |                           |              |
| (1) Sales to non-Group customers  | 12,047,341              | 6,191,407         | 2,750,712                   | 256,695              | 148,606             | 2,176,382              | 23,571,145 | -                         | 23,571,145   |
| (2) Inter-segment sales or transfers  | -                       | -                 | 1,636                       | 103                  | -                   | -                      | 1,740      | (1,740)                   | -            |
| Total   | 12,047,341              | 6,191,407         | 2,752,349                   | 256,799              | 148,606             | 2,176,382              | 23,572,886 | (1,740)                   | 23,571,145   |
| Operating expenses  | 9,050,311               | 6,164,369         | 3,090,236                   | 368,802              | 139,842             | 2,532,713              | 21,346,276 | 1,438,057                 | 22,784,334   |
| Operating income or loss  | 2,997,030               | 27,037            | (337,887)                   | (112,002)            | 8,763               | -356,331               | 2,226,609  | (1,439,798)               | 786,811      |
| II Assets, Depreciation and amortization expenses, and capital expenditures |                         |                   |                             |                      |                     |                        |            |                           |              |
| Assets  | 6,257,256               | 3,987,891         | 863,069                     | 211,449              | 1,163,057           | 7,258,023              | 19,740,746 | 2,837,419                 | 22,578,165   |
| Depreciation and amortization expenses                                      | 236,939                 | 70,746            | 150,399                     | 789                  | -                   | 80,102                 | 538,977    | 35,117                    | 574,095      |
| Capital expenditures  | 426,399                 | 50,250            | 163,697                     | 1,430                | -                   | 76,495                 | 718,274    | 55,232                    | 773,506      |

Notes: 1. Method of Classifying Business Segments

Business segments are classified based on business content.

2. Business content of each business segment.

| Business Segment   | Major products and responsibilities, etc.  |
|--------------------|--|
| Mobile Content     | Internet-based content service for mobile phones   |
| Commerce           | Direct, retail, and wholesale sales of cosmetics, healthcare food products, wine and liquor, consumer electronics, fashion items, etc. |
| Marketing Solution | Consulting, mobile site building, direct sales support business, software development and sales, and system building                   |
| Advertising        | Development, sales, and advertising agency for mobile advertising  |
| Investment         | Operation and management of investment fund  |
| International      | Mobile content provision business in North America   |

3. Among operating expenses, an amount totaling ¥1,438,057 thousand of unallocated expenses were included under eliminations or corporate. The majority of these eliminations or corporate expenses were related to the administration department of the Group.

4. Among assets, an amount totaling ¥2,837,419 thousand was included under eliminations or corporate. The majority of these eliminations or corporate assets were related to the management of surplus funds(cash, deposits, and securities)and assets related to the administrative

department.

5. In the past, the Company's main businesses were content provision based on mobile phones and the development of systems to provide content. Following the October 1, 2006 business integration with JIMOS CO., LTD., however, the Company took the opportunity to change its business segment classification of Mobile Content Business commencing with the consolidated fiscal year under review, adding the five new business segments of the Commerce, Market Solutions, Advertising, Investment, and International businesses.

b. Geographic segment information

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

( Thousands of yen )

|   | Japan      | North America | Total      | Elimination or Corporate | Consolidated |
|---|------------|---------------|------------|--------------------------|--------------|
| I Sales and Operating Income            |            |               |            |                          |              |
| 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)    |
| II Assets                               | 18,582,961 | 7,615,527     | 26,198,489 | (7,241,003)              | 18,957,486   |

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

2. U.S.A. and Canada belongs to North America.

Fiscal Year ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

( Thousands of yen )

|   | Japan      | North America | Total      | Elimination or Corporate | Consolidated |
|---|------------|---------------|------------|--------------------------|--------------|
| I Sales and Operating Income            |            |               |            |                          |              |
| Sales                                   |            |               |            |                          |              |
| (1) Sales to external customers         | 21,394,763 | 2,176,382     | 23,571,145 | -                        | 23,571,145   |
| (2) Sales or transfers between segments | 1,740      | -             | -          | (1,740)                  | -            |
| Total                                   | 21,396,503 | 2,176,382     | 23,572,886 | (1,740)                  | 23,571,145   |
| Operating expense                       | 18,813,563 | 2,532,713     | 21,346,276 | 1,438,057                | 22,784,334   |
| Operating income or loss                | 2,582,940  | (356,331)     | 2,226,609  | (1,439,798)              | 786,811      |
| II Assets                               | 12,482,723 | 7,258,023     | 19,740,746 | (2,837,419)              | 22,578,165   |

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

2. U.S.A. and Canada belongs to North America.

c. Overseas sales

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

FY ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

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

( Disclosure Omissions )

Notes regarding lease transactions, transactions with related parties, tax-effect accounting, securities, derivative transactions, pension plans, stock options, etc. have been omitted because they were not considered to be significantly material to warrant disclosure in the Results of Operations.

## ( Per Share Information )

| Item                               | Previous consolidated fiscal year<br>( April 1, 2005 to March 31, 2006 )                      | Current consolidated fiscal year<br>( April 1, 2006 to March 31, 2007 ) |
|------------------------------------|---|---|
| Net assets per share               | ¥53,839.50  | ¥48,099.59  |
| Loss per share                     | (¥639.97)   | (¥30,073.51)  |
| Fully diluted net income per share | -   | -   |
|                                    | Due to a loss per share being recorded, fully diluted net income per share has not been noted | Same as left  |

(Note) Basic calculations regarding loss per share for the period under review are as follows.

| Item   | Previous consolidated fiscal year<br>( April 1, 2005 to March 31, 2006 ) | Current consolidated fiscal year<br>( April 1, 2006 to March 31, 2007 ) |
|--|--|---|
| Loss per share   |  |   |
| Loss ( Thousands of yen )  | (¥143,607)   | (¥7,830,611)  |
| Amounts not ascribed to common shareholders ( Thousands of yen )   | -  | -   |
| Loss for the period assigned to common shares ( Thousands of yen ) | (¥143,607)   | (¥7,830,611)  |
| Average issued common shares during the period ( Shares )          | 224,396  | 260,382   |

## Significant Subsequent Events

| FY ended March 31, 2006<br>(From April 1, 2005<br>To March 31, 2006)   | FY ended March 31, 2007<br>(From April 1, 2006<br>To March 31, 2007)                          |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
|--|---|--|----------------|--|----------------|--|--------------|---|---------------|--|---------------|---|----------------|----------------------------------|----------------|--|--------------|-------------------------------|--|--|--------------|---|--------------|----------------------------------|---------------|--|-------------------------|--------------------|-------------------------|
| <p>I. Share Exchange with JIMOS CO., LTD.<br/>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<br/>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<br/>(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<br/>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 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<br/>Common shares: 57,545 shares<br/>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.<br/>Representative: Fujio Komura<br/>Paid-in Capital: ¥1,176 million (At Dec. 31, 2005)<br/>Head Office: 1-4-2 Tenjin, Chuo-ku, Fukuoka</p> <p>1. Main Business<br/>Direct marketing, wholesale, direct sales support services,</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) | <p>I. Reduction in Additional Paid-in Capital<br/>CYBIRD Holdings Co., Ltd., announced that in a meeting of the board of directors on May 22, 2007, the Company decided to place a resolution as shown below to reduce the additional paid-in capital of the Company on the agenda of the 9<sup>th</sup> ordinary general meeting of shareholders, scheduled for June 28, 2007.</p> <p>1. Purpose of Reduction in Additional Paid-In Capital<br/>To cover the loss recorded in the fiscal year ended March 2007, to acquire surplus capital for the payment of dividends, and to enable flexible capital strategies.</p> <p>2. Summary of Reduction in Additional Paid-in Capital<br/>Of the total amount of additional paid-in capital of ¥12,045,032,870, the amount of ¥10,669,203,485 is to be transferred to other capital reserves. The amount of remaining additional paid-in capital after the reduction will be ¥1,375,829,385.</p> <p>3. Schedule for Reduction in Additional Paid-In Capital</p> <table border="0"> <tr> <td>(1) Date of board of directors meeting</td> <td>May 22, 2007</td> </tr> <tr> <td>(2) Date of public announcement for creditor claims</td> <td>May 23, 2007</td> </tr> <tr> <td>(3) End of creditor claim period</td> <td>June 25, 2007</td> </tr> <tr> <td>(4) Date of ordinary general meeting of shareholders</td> <td>June 28, 2007 (Planned)</td> </tr> <tr> <td>(5) Effective date</td> <td>June 28, 2007 (Planned)</td> </tr> </table> | (1) Date of board of directors meeting | May 22, 2007 | (2) Date of public announcement for creditor claims | May 23, 2007 | (3) End of creditor claim period | June 25, 2007 | (4) Date of ordinary general meeting of shareholders | June 28, 2007 (Planned) | (5) Effective date | June 28, 2007 (Planned) |
| 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)   |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
| (1) Date of board of directors meeting   | May 22, 2007  |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
| (2) Date of public announcement for creditor claims  | May 23, 2007  |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
| (3) End of creditor claim period   | June 25, 2007   |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
| (4) Date of ordinary general meeting of shareholders   | June 28, 2007 (Planned)   |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |
| (5) Effective date   | June 28, 2007 (Planned)   |  |                |  |                |  |              |   |               |  |               |   |                |                                  |                |  |              |                               |  |  |              |   |              |                                  |               |  |                         |                    |                         |

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| <p>and other businesses</p> <p>2. Net Sales and Net Income (FY2005/6)<br/>Net Sales: ¥12,641 million Net Income: ¥753 million</p> <p>3. Assets, Shareholder's equity and Liabilities (June 30, 2005)<br/>Assets: ¥6,960 million Liabilities: ¥1,874 million<br/>Shareholder's equity: ¥5,086 million</p> <p>II. The Spin Off of CYBIRD's Operations Due to Corporate Split<br/>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<br/>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</p> <p>(1) Corporate Split Schedule<br/>May 15, 2006<br/>Board meeting to approve CYBIRD split plan<br/>June 29, 2006<br/>Shareholders' meeting to approve CYBIRD split plan<br/>October 2, 2006<br/>Registration date for corporate split (planned)</p> <p>(2) Corporate Split Process<br/>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<br/>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<br/>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<br/>The newly established company will succeed to the following businesses<br/>(i) Mobile Content Business<br/>(ii) Marketing Solution Business<br/>(iii) E-Commerce Business<br/>(iv) Advertising<br/>(v) All related businesses</p> <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<br/>In the 8<sup>th</sup> 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<br/>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<br/>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> |  |
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| <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<br/>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<br/>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<br/>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<br/>Gratis</p> <p>(6) Payment on exercise of Subscription Rights<br/>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 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<br/>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</p> <p>(i) In this paragraph, the following words or phrases shall have the meaning as defined below unless otherwise provided for.</p> <p>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%.</p> <p>I The Total Proportion of Share Ownership of the Company’s Securities of said Owner and Co-owners</p> <p>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</p> <p>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.</p> <p>b. “Ownership” has the meaning stipulated in Article 27-23, Paragraph 4 of the Securities and Exchange Act of Japan.</p> <p>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.</p> <p>d. “Public Tender Offeror” has the meaning stipulated in Article 27-3, Paragraph 2 of the Securities and Exchange Act of Japan.</p> <p>e. “Owner and Public Tender Offeror” is an Owner that is an Owner and Public Tender Offeror at the same time.</p> <p>f. “Co-owners” has the meaning stipulated in Article 27-23, Paragraph 5 of the Securities and Exchange Act of Japan, and</p> |  |
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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 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).

j. “Acquiring, etc.” has the meaning defined in Article 27-2, Paragraph 1 of the Securities and Exchange Act of Japan.

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.

(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.

(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

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| <p>Subscription Rights.</p> <p>(iv) Notwithstanding the previous (iii), persons residing in the United States of America must:</p> <p>I Personally declare and certify that they are an 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 Jasdaq 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 &amp; 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 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</p> |  |
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| <p>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<br/> 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<br/> 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<br/> 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<br/> 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<br/> 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.<br/> Should revisions be required in the clauses and items of the Rights Plan due to the enactment of 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<br/> 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"> <li>1. Name: CYB INVESTMENT INC.</li> <li>2. Address: Delaware, U.S.A.</li> <li>3. Amount of Investment: 43,300,000USD</li> <li>4. Payment date: June 30, 2006</li> </ol> |  |
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