

【Qualitative Data, Financial Statements, Etc.】

1. Qualitative Data on Consolidated Operating Results

(1) Market Environment (As of June 30, 2007)

I Japanese Mobile Internet Market

The number of mobile phone subscriptions in Japan reached 98.05 million at the end of June 2007. Of this amount, the proportion of Internet-enabled handset accounts was 87.3%. The number of third generation (3G) mobile phone subscriptions at the end of March 2007 totaled 74.69 million. Third generation services are expected to be the catalyst that accelerates growth of the mobile Internet market.

Against the backdrop of the popularization of 3G and fixed packet rate system, the content market expanded to ¥366.1 billion in 2006, up 16% from same periods on the previous year. In calendar 2006, the mobile commerce market grew 38%, to ¥562.4 billion compared to the previous year, as a result of installing electric money and credit-card transactions. Of that amount, the mobile shopping market, excluding ticket purchasing and auction fees, jumped 68%, to ¥258.3 billion compared to the previous year.

The advertising market expanded to ¥128.4 billion in 2011. That was approximately 3.3 times as ¥39 billion in 2006.

(Source: The Telecommunications Carriers Association (TCA), Mobile Content Forum, Nomura Research Institute, Ltd, MultiMedia Communications (FMMC) and DENTSU INC. prepared by CYBIRD Holdings)

II The Japanese Direct Sales Market

In 2005, total estimated sales of the direct sales market amounted to ¥3.36 trillion, rising 10% from the previous year. Expansion of Internet sales through personal computers and mobile phones drove growth in the market, with sales of health foods, cosmetics, and pharmaceuticals taking the top sales spots. In particular, cosmetics and pharmaceuticals sales rose a substantial 32% year on year.

(Source: Prepared by CYBIRD Holdings from materials from the Telecommunications Carrier Association (TCA))

(2) Results of Operation

(Quarter)

(Unit: Millions of yen, Round down)

	1 st Quarter, FY ended March 31, 2007		1 st Quarter, FY ending March 31, 2008		Changes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net Sales	4,031	100.0	7,655	100.0	3,624	89.9
Gross Profit	1,665	41.3	3,382	44.2	1,717	103.1
Operating Income	37	0.9	338	4.4	300	802.9
Ordinary Income (Loss)	(307)	(7.6)	286	3.7	593	-
Net Income (Loss)	(270)	(6.7)	53	0.7	324	-

Summary of Business Results (Quarter)

Consolidated net sales for the first quarter totaled ¥7,655 million, rising ¥3,624 million, or 89.9%, from a year earlier. On a quarterly basis, it was a record high. This large increase was supported by the continued strong performance of the core Mobile Content Business and the additional sales of JIMOS CO., LTD.'s Commerce Business, which has been included in consolidated since the second half of the previous fiscal year following the integration of the businesses of CYBIRD and JIMOS.

Operating income rose ¥300 million, or 802.9%, year on year, to ¥338 million. The operating income to net sales ratio was 4.4%, improving 3.5 percentage points from the first quarter last year. The growth can be attributed to the higher sales and benefits of a lower cost of sales ratio of the core Mobile Content Business, the increase in the gross profit supported by the newly included in consolidation Commerce Business, and the decline in the selling, general and administrative (SG&A) expenses to net sales ratio thanks to the effective control of those expenses. Moreover, the Company recorded ordinary income of ¥286 million, an improvement of ¥593 million from the ordinary loss posted a year earlier.

While consolidated net income for the quarter was held to ¥53 million because of the impact of income taxes, this represented a ¥324 million increase from the loss recorded in the first quarter in the previous fiscal year.

(Reference)

	Net Income per share (yen)	ROE (%)	EBITDA (million of yen)
1Q, FY ending March 31, 2008	186.33	0.4	566

(Note)EBITA: Operating income + Depreciation + straight-line amortization of goodwill

Sales by Business Segment

(Unit: Millions of yen, Round down)

	1 st Quarter, FY ended March 31, 2007		1 st Quarter, FY ending March 31, 2008		Change	
	millions of yen	%	millions of yen	%	millions of yen	%
Mobile Content Business	2,873	71.3	3,105	40.6	232	8.1
Commerce Business	62	1.5	2,925	38.2	2,862	-
Solution Business	542	13.5	752	9.8	209	38.5
Advertising Business	30	0.7	351	4.6	321	-
Investment Business	-	-	-	-	-	-
International Business	522	13.0	521	6.8	(1)	(0.2)
Total	4,031	100.0	7,655	100.0	3,624	89.9

a. Mobile Content Business

Sales of the Mobile Content Business totaled ¥3,105 million, rising ¥232 million, or 8.1%, year on year. Supported an effective promotion strategy, there was continued growth in subscribers to core content, such as “Hiroyuki Ehara Spiritual Message.”

b. Commerce Business

Consolidated net sales of the Commerce Business in the first quarter amounted to ¥2,925 million, up a substantial ¥2,862 million from the same period in the previous fiscal year due the inclusion of the direct sales business of JIMOS CO., LTD., which has been included in consolidation since the second half of the previous fiscal year. During the quarter, the business continued to initiate measures aimed at acquiring new customers, increasing the percentage of repeat buyers for its core cosmetic products as well as focusing on implementing sales promotion measures to stimulate new purchases from previous customers that have not been active for some time. In addition, the Commerce Business continued to give priority to investment efficiency in developing promotion. While there also was some quarterly fluctuation in sales performance in the first quarter due to seasonal factors, the business continued to target stable earnings over the fiscal year.

In our mobile commerce business, we continued to build a mobile commerce platform that will enable high customer acquisition and purchase rates. To do so, we are leveraging to the maximum the Group’s accumulated mobile and sales (item sales) know how. Thoroughly investigating the effectiveness of different patterns of combining exposure media, merchandise, creative advertising, and other factors, we are utilizing our know how to build the platform.

c. Solution Business

Consolidated net sales of the Marketing Solution Business increased ¥209 million, or 38.5%, year on year to ¥752 million. The transfer of a consolidated subsidiary out of the business in the fourth quarter of the previous fiscal year was a factor in lower sales in some sections. However, revenues from direct sales support business for corporate clients of JIMOS that began in the second half of the previous fiscal year and newly consolidated revenues from an e-commerce site development company supported overall sales growth.

d. Advertising Business

In the first quarter, consolidated net sales of the Advertising Business amounted to ¥351 million, rising ¥321 million thanks to mobile advertising revenues and earnings contributions from the direct sales advertising agency business targeting corporate clients. Although the scope of the business remains small, we are continuing to focus on building a client base of advertisers and establishing an advertising media that prioritizes customer acquisition and purchase rates. We also are developing new mobile advertising centered on search-linked advertising (listing advertising), aiming to further expand earnings by increasing sales to advertising agencies and by strengthening our direct advertising sales organization.

e. Investment Business

There were no revenues in the Investment Business during the first quarter. However, through the CYBIRD Plus Mobile Fund Investment Business Limited Partnership, which is managed and supervised by wholly owned subsidiary CYBIRD Investment Partners Inc., the Company invested in one new company during the quarter. With this investment, the Investment Business has invested in six companies, and is endeavoring to discovery other candidates for investment.

f. International Business

Based on the revenues of North America content provider Airborne Entertainment Inc., International Business sales totaled ¥521 million in the quarter under review. Along with the introduction of advanced mobile devices, sales of 3G moving picture content and game content are expanding rapidly. As a result, Airborne Entertainment is concentrating on meeting market demand through such strategies as developing 3G moving picture content and providing high-value-added services in its mobile-based B-to-B business.

2. Qualitative Data on Consolidated Financial Statements

(1) Condition of Assets, Liabilities and Net Assets

Total assets at the end of this quarter amounted to ¥22,730 million. While the total liabilities amounted to ¥7,933 million and total net assets including subscription right and minority interests amounted to ¥14,796 million.

Total assets increased substantially compared with the end of the same period of the previous year due to the business integration of CYBIRD and JIMOS based on a share exchange at the beginning of the second half of the previous consolidated fiscal year, by which JIMOS became a consolidated subsidiary.

	June 30, 2006	June 30, 2007
Equity ratio (%)	66.5	61.0
Equity ratio on a market value basis (%)	166.5	64.6
Debt Redemption (years)	-	-
Interest Coverage Ratio (times)	-	-

Equity ratio: shareholders' equity / total assets

Equity ratio on a market value basis: aggregate market value / total assets

Debt redemption (years): interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payment

Note 1) Aggregate market value was calculated by using total issued and outstanding shares at the end of the period multiplied by the closing price for CYBIRD Holdings' stock on the last day of business in this quarter.

2) Operating cash flow is used in the calculation of Debt Redemption and Interest Coverage Ratio. "Interest-bearing debt" includes all balance sheet debt with interest payment.

3) Debt Redemption and Interest Coverage Ratio as of June 30, 2006 and 2007 are not mentioned due to a negative cash flow from operating activities..