

1. Results of Operations

(1) Analysis of Results of Operations

I Market Environment (As of September 30, 2007)

a. Japanese Mobile Internet Market

The number of mobile phone subscriptions in Japan reached 99.33 million at the end of September 2007. Of this amount, the proportion of Internet-enabled handset accounts was 87.1%. The number of third generation (3G) mobile phone subscriptions at the end of September 2007 totaled 79.32 million.

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% compared to 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, and DENTSU INC. prepared by CYBIRD Holdings)

b. The Japanese Direct Sales Market

In 2006, total estimated sales of the direct sales market amounted to ¥3.68 trillion, rising 9.5% from the previous year.

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

II Results of Operation

(Interim)

(Unit: Millions of yen, Round down)

	Interim Period ended September 30, 2006		Interim Period ended September 30, 2007		Changes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net Sales	8,450	100.0	15,264	100.0	6,813	80.6
Gross Profit	3,566	42.2	6,665	43.7	3,099	86.9
Operating Income	345	4.1	558	3.7	213	61.8
Ordinary Income (Loss)	(1,945)	(23.0)	445	2.9	2,390	-
Net Income (Loss)	(2,183)	(25.8)	239	1.6	2,422	-

Summary of Business Results (Interim)

Consolidated net sales for the interim period totaled ¥15,264 million, increasing ¥6,813 million, or 80.6%, from a year earlier. On an interim period basis, it represented a record high. This large increase was supported by the continued strong sales growth of the major content of Mobile Content Business due to the effectiveness of its promotional strategy. In addition, the earnings of JIMOS CO., LTD.'s Commerce Business, centered on direct sales of cosmetics, contributed to growth. Sales of the Commerce Business have been included in consolidated since the second half of the previous fiscal year. Advertising sales also rose along with the start up of the Advertising Business.

Operating income advanced ¥213 million, or 61.8%, year on year, to ¥558 million. The growth was the result of 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, improvement in the efficiency of advertising investment, and a decline in goodwill amortization expenses.

In addition, Ordinary Income was ¥445 million and Net Income was ¥239 million for the interim period, compared to the significant amount of Ordinary Loss and Net Loss recorded in the same period in previous year due to Equity in net losses of an affiliate with respect to JIMOS CO., LTD., which was an affiliate of the Company.

(Reference)

	Net Income per share (yen)	ROE (%)	EBITDA (million of yen)
Interim Period ended September 30, 2007	825.56	3.4	1,037

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

Sales by Business Segment

(Unit: Millions of yen, Round down)

	Interim Period ended September 30, 2006		Interim Period ended September 30, 2007		Change	
	millions of yen	%	millions of yen	%	millions of yen	%
Mobile Content Business	5,739	67.9	6,183	40.5	444	7.7
Commerce Business	154	1.8	6,044	39.6	5,889	-
Solution Business	1,229	14.6	1,415	9.3	185	15.1
Advertising Business	69	0.8	615	4.0	546	783.5
Investment Business	143	1.7	-	-	(143)	-
International Business	1,113	13.2	1,004	6.6	(108)	(9.7)
Total	8,450	100.0	15,264	100.0	6,813	80.6

a. Mobile Content Business

Sales of the Mobile Content Business totaled ¥6,183 million, rising ¥444 million, or 7.7%, year on year and marking a new interim high. Supported by an effective promotion strategy, there was continued growth in subscribers to core content, such as “Hiroyuki Ehara Spiritual Message.” In addition to introducing new content during the period under review, the business initiated strategies to boost the sales per user by increasing payment schedules based on new services for existing content, such as offering special premium member services for “Kagami Ryuji Renseijitsu.”

b. Commerce Business

Consolidated net sales of the Commerce Business in the interim period amounted to ¥6,044 million, up a substantial ¥5,889 million from the same period in the previous fiscal year principally due the inclusion of the cosmetics direct sales business of JIMOS CO., LTD., which has been included in consolidation since the second half of the previous fiscal year, and JIMOS’s outlet sales. Among the highlights of the interim period, JIMOS’s contact center, part of its cosmetic direct sales business, won the outstanding performance prize for “Best Customer Support of the Year 2007” at the Best Customer Support Awards 2007 sponsored by the Japanese Institute of Information Technology.

In mobile commerce operations, Stylife Corporation, the Company’s subsidiary CYBIRD Co., Ltd., combined with some venture capital interests to establish a fashion commerce company, Nutty Inc., during the interim period. The Group will be providing Nutty with assistance in acquiring customers and promoting its business in exchange for a percentage of its business sales. In addition, the Group will seek to expand earnings by appealing to Nutty’s customers with its mobile platform.

c. Solution Business

Consolidated net sales of the Solution Business increased ¥185 million, or 15.1%, year on year to ¥1,415 million. In addition to stable earnings from the development and operation of mobile sites, revenues from direct sales support business for corporate clients of JIMOS and newly consolidated revenues from an e-commerce site development subsidiary of JIMOS supported overall sales growth.

d. Advertising Business

In the interim period, consolidated net sales of the Advertising Business amounted to ¥615 million, rising ¥546

million or 783.5% from a year earlier. In addition to the expansion of mobile advertising sales to national clients and others, revenues from the direct sales advertising agency business targeting corporate clients further contributed to sales growth. To promote the development of the business, the Group is aiming to strengthen the platform it has built by solidifying the customer base acquired through other business. Moreover, by offering the various types of advertising opportunities resulting from the emergence of new media to its customers, the Group plans to develop the Advertising Business into another major source of earnings like its existing businesses.

e. Investment Business

There were no revenues in the Investment Business during the interim period. 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 three new companies during the period under review. With this investment, the Investment Business has invested in eight companies.

f. International Business

Based on the revenues of North America content provider Airborne Entertainment Inc., International Business sales totaled ¥1,004 million in the interim period. 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.

III Earning Forecasts

As indicated previously, the Company recorded a solid business performance during the first half. In the second half, the Company is expecting continued solid performance. Supporting this performance will be continued strong sales growth of the core Mobile Content Business due to the effectiveness of its promotional strategy; a focus on efficient advertising investment in the cosmetics direct sales business and the continued introduction of high profit margin merchandise. Furthermore, in the Advertising Business, the Group will boost media value and strengthen its sales organization.

Consequently, the Company forecasts that consolidated net sales for the fiscal year will total ¥32,000 million, operating income will amount to ¥1,200 million, ordinary income will be ¥1,000 million, and net income will be ¥550 million. At this point, there have been no changes in forecast performance from the original forecast announced on May 22, 2007.

Since the Company functions only as the holding company of the Group, it does not announced non-consolidated performance estimates because of the lack of significance of these figures to any investment decision.

(2) Financial Condition

I Condition of Assets, Liabilities and Net Assets

At September 30, 2007, total assets amounted to ¥22,555 million, while total liabilities were ¥7,222 million. Net assets at the end of the period totaled ¥15,332 million, up ¥516 million year on year. In addition to interim net income, an increase in the translation account contributed to net asset growth.

Because of the offsetting in the first quarter of non-consolidated losses of the Company in prior fiscal year with capital surplus, the amount of capital surplus at the end of the interim period declined substantially compared with the end of the first quarter. On the other hand, the amount by which retained earnings declined was reduced.

	September 30, 2006	September 30, 2007
Equity ratio (%)	61.8	63.8
Equity ratio on a market value basis (%)	124.4	53.8
Debt Redemption (years)	5.8	10.9
Interest Coverage Ratio (times)	4.3	1.6

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

(To provide a figure based on annualized cash flow from operating activities, figures of the interim period have been multiplied by two.)

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 the interim.

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.

II Primary Lender (As of September 30, 2007)

a. CYBIRD Holdings Co., Ltd. (Unit: Thousands of yen, Round down)

Lender	Amount
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Foreign currency) (Note)	1,715,651
Sumitomo Mitsui Banking Corporation (Foreign currency) (Note)	574,565
Total	2,290,216

(Note) Figures are calculated at the middle rate ¥114.91 on September 30, 2007.

b. Airborne Entertainment Inc. (Unit: Thousands of yen, Round down)

Lender	Amount
Wellington Financial (Note)	231,916
Total	231,916

(Note) Figures are calculated at the middle rate ¥123.31 on June 30, 2007.

(Unit: Thousands of yen, Round down)

Name of bonds	Amount
FY2006 Corporate Bond (Note)	390,952
FY2007 Corporate Bond (Note)	550,332
Total	941,285

(Note) Figures are calculated at the middle rate ¥123.31 on June 30, 2007.

c. S-CREW INC. (Unit: Thousands of yen, Round down)

Lender	Amount
The Tokyo Tomin Bank Limited	19,563

Sumitomo Mitsui Banking Corporation	81,932
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	50,014
SEIBU SHINKIN BANK	687
Total	152,196

III Consolidated Cash Flow Statement

At the end of September 2007, cash and cash equivalents totaled ¥5,068 million, increasing by ¥3,256 million, 179.8%, from the same period in the previous year, and decreasing by ¥95 million, 1.9%, from the last fiscal year. Conditions/contributing factors in each cash flow segment for the period under review are as follows.

(Cash flow from operating activities)

Cash flows from operating activities for the interim period totaled ¥165 million, increasing ¥274 million from the same period in the previous fiscal year. Among the positive factors contributing to this result in addition to income become income taxes of ¥417 million were non-cash expenditures of ¥490 million, including depreciation expenses, goodwill amortization expenses, and increases and decreases in various reserves. Included among negative factors were payment of payables and income tax. While the Company booked decrease in cash flow used in operating activities of ¥322 million due to the payment of Income taxes of 344 million in the first quarter, it recorded cash flow provided by operating activities of ¥487 million in the second quarter.

(Cash flow from investing activities)

Cash flow from investing activities decreased by ¥666 million compared with a decrease of ¥2,589 million in the same period in the prior fiscal year. This result could chiefly be attributed to expenditures for the purchase of software by the Group and to short-term investment (guaranteed by major local bank) of surplus funds by an overseas subsidiary.

(Cash flow from financing activities)

Cash flow from financing activities expanded ¥381 million compared with an increase of ¥2,431 million in the previous interim period. This result was primarily due to proceeds from the issue of a corporate bond by an overseas subsidiary.

(3) Dividend Policy

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

In a meeting of the Board of Directors held on October 31, 2007, the Company decided to approve the tender offer (November 1 to December 13, 2007) made by CJ Holdings Co., Ltd., to acquire the outstanding shares and subscription rights of CYBIRD Holdings Co., Ltd. However, Dividend Policy have not been prepared based on the assumption that the tender offer will be successful.

(4) Risk Factors

I Risks Related to Mobile Content Business

a. Dependence on External Information Provider

We rely on third parties to provide the content we offer to our subscribers. There is no guarantee that our content suppliers will continue to maintain the relationships and contractual agreements with us.

b. Dependence on Specific Operators

We provide multiple content services to i-mode of NTT DoCoMo Inc., EZweb of KDDI CORPORATION and Yahoo! Keitai of SOFTBANK MOBILE Corp. NTT DoCoMo alone accounted for larger portion in our consolidated

sales. Therefore change in NTT DoCoMo's business strategy and/or in business climate could impact negatively on our business strategies and performance.

c. Obsolescence of Content Services

The mobile content services that we provide can be rather short-lived due to rapid changes in technology and consumer preferences. If we are unable to maintain, improve and develop our services, our investments may not produce returns for us.

d. Dependence on Specific Popular Content Services

Although we provide a broad range of content, some popular content services tend to be focused. Therefore change in the market may reduce the number of subscribers and content popularity, thereby adversely affecting our business strategy and revenue.

e. Regarding a change in the business environment for the Mobile Content Business

The business environment for the Group's Mobile Content Business is undergoing a major period of change along with the increased availability of high quality free content, the introduction of full Web browser capabilities on mobile phones, the start of one segment terrestrial TV reception services for mobile terminals, the kick-off of the mobile number portability system, and the start up of the mobile virtual network operator business. At this point, it is difficult to estimate the impact of these changes on the competitive environment, and it is possible that they could have a negative impact on the business strategies of the CYBIRD Group and business performance.

II Risk Related to the Commerce Business

a. Dependence on a core merchandise line

Although the Group is actively pursuing the planning and sales of merchandise other than the MACCHIALABEL series, the sales proportion of the MACCHIALABEL series is high because of consistent purchases, and is expected to remain high in future. Consequently, if the preferences of consumers should change or for some reason the degree of public trust in the brand should decline, the Group's business strategies or business performance could be affected.

b. Risk Related to the Planning and Development of Merchandise

Many of the private brands handled by the Group's Commerce Business are planned based on customer demand and information collected from manufacturers or are planned by subcontracted manufacturers. Since these manufacturers take into account the wishes and ideas of the Group in doing the final production of these merchandise items, the Group is actually responsible for the commercialization of the items. Therefore, should these private brands not meet the needs of customers and not be accepted in the market or should their competitiveness decline comparatively because of the start of sales of competitive products, it could negatively impact the business strategies and performance of the Group.

c. Risk Regarding Dependence on Certain Merchandise Suppliers

The Group sources all its merchandise from manufacturers, but the proportion of supplies that is purchased from specified suppliers has become high. Because the Group uses one company as supplier for each item, the suppliers of items that account for a large proportion of sales also rank high on the list of suppliers. As a result, should the contract with such suppliers be suddenly terminated or should these suppliers not be able to maintain stable supplies of items due to damage to their production facilities from natural disasters or some unforeseen event and an alternative supplier is not found promptly, it could have an adverse influence on the Group's business strategies and performance.

d. Risk Related to Quality Control

The Group sources all the merchandise it handles from manufacturers. To maintain and improve the quality of its cosmetics and food products, including health food products, the Group has established quality standards and requires each of its manufacturers to comply with those standards in their manufacturing. The Group has also set up a Quality Control Department within the Group organization, which evaluates the quality control systems of the manufacturers and checks the quality control inspection reports issued by the manufacturers.

To further strengthen and expand quality control of cosmetics and food products, including health foods, the Group receives quality inspection reports from an independent body other than the manufacturers. In addition, private brand cosmetics undergo quality inspections by Dr.'s Bio Laboratory Co., Ltd., which has been a consolidated subsidiary since April 2005.

In this manner, the Group is planning to strengthen and expand its quality control system. However, should customers lose confidence in the Group's merchandise due to some unforeseen incident, such as contamination by a foreign object, it could have a negative impact on the Group's business strategies and performance.

e. Risk Regarding the Patent for Kangensui

Kangensui (regenerated water) is an ingredient used in some of the products of the MACCHIALABEL series, such as Active Micron Water Plus and Protect Barrier. Mr. Shoji Kubota and Natural Co., Ltd., have applied for a patent for Kangensui. The Group has acquired an exclusive license to use Kangensui and have concluded an agreement allowing the Group to exclusively manufacture and sell moisturizers or cosmetics using Kangensui. However, the patent has not yet been approved, and it is possible to manufacture and sell a similar product. Even if the product received the patent, the Group cannot say for certain that no other products with the same or similar efficacy will not be manufactured or sold. If such a situation occurred, it could adversely affect the Group's business strategies and performance.

III Risks Related to the Group's other business

a. Solution Business

A countless number of companies are competing in this market, and in addition to the strong demand for improved quality there is fierce price competition. Therefore, the possibility that there will be a marked decline in profitability in the future can not be denied. Furthermore, should a "bug" occur in some delivered software program, the Group might face legal action, which could have a detrimental impact on the performance of the Group.

b. Advertising Business

The Group does not have a long history in the advertising business, and is still in the process of developing its business model. It is possible that if competitors or related businesses enter the market or there are sudden changes in the business environment or lack of growth that the business will not achieve projected sales or profits.

c. Investment Business

In an environment where many investment companies are vying for a limited number of high growth potential investment opportunities, it is not easy to discover investment candidates and make investments. As a result, it is possible that not all of the funds raised will be invested. In addition, the Group may not be able to achieve the anticipated yield from an investment in a company even though adequate assessment of the value of the company was done.

d. International Business

The Group is maintaining a certain level of control and corporate governance in its international operations, which primarily are centered on the operations of Airborne Entertainment Inc., which is based in Canada, through the placement of its own directors and staff in those operations. Nevertheless, the Group is subject to the risks of conducting business in a foreign country, such as local economies, politics, laws and regulations, cultures, business customs, competitors, currency fluctuations, and others. Any of these factors could have a negative impact on the Group's business strategies and performance.

If we fail to overcome any of the foregoing risks due to occurrence of any unexpected event, our investment may not produce anticipated returns for us, which may result in an adverse effect on our financial condition.

IV Risks Related to Technological Changes

There is a markedly high pace of technological advance and change in the mobile Internet market in which the Group operates. It is essential for the business development of the Group that the technologies demanded by the market be introduced in a timely fashion. If for some reason the Group lags behind in the introduction of new technology, it could have an adverse consequence for business performance.

V Risks Related to System Failure

The businesses being developed by the Group provide customers with services on a 24-hour basis. Should the operations of the Group's data center or other facilities be disrupted by a natural disaster or unforeseeable accident, it would make it difficult for the Group to continue its services and cause a variety of damages not only to the Group, but also to users and customers, mobile carriers, and other associated businesses.

In addition, there are other potential causes of system failures that lie beyond control. Our security system could be bypassed by virus attacks by hackers and such.

VI Risks Related to Financial Condition and Quarterly Results of Operations

The Group intends to further expand its operations around its Mobile Content, Solutions, Commerce, and Advertising, Investment, and International businesses. However, the business environment of the Mobile Content and other businesses is extremely volatile, and the business scale of individual businesses is relatively small. Consequently, quarterly performance may fluctuate significantly. Should the Group not be able to produce the projected amount of cash flow due to changes in its business plan and other related factors, it could have a damaging effect on future business operations.

VII Risk Related to Fund Raising

In raising funds, the Group takes into consideration the balance among its business strategies, financial plan, conditions in financial markets, and the financing method. The Group has a good relationship with financial institutions and other lenders and has no difficulties raising necessary funds. However, there is no guarantee that the Group always will be able to raise funds whenever necessary.

VIII Risks Related to Investments

The Group may invest in equipment, subsidiaries, joint ventures, and M&A to expand our business. Due to the risks involved, there remains the possibility that we may fail to gain sufficient returns from these investments.

IX Risks Related to Subsidiaries and Affiliate

There are a few un-wholly owned subsidiaries in the Group. This situation may contribute to a conflict of interest or difference in priorities between these companies and us.

X Risks Related to Competition

In all of the business domains in which the Group operates, there are many competitors or companies with the potential to be competitors in the future. Because of the many competitors and new entrances into the market, competition is steadily intensifying. This situation could have a negative impact on the Group's business performance.

XI Risks Related to Laws and Regulations

The major legal frameworks for the Group's businesses include the basic laws on the formation of an advanced information and telecommunications network society, the law regarding special commercial transactions, the pharmaceutical affairs law, the food sanitation law, and the act against unjustified premiums and misleading representations. The Group thoroughly complies with these laws, but it is possible that the application of laws and ordinances or the formation of new laws and ordinances affecting the regulation of business could restrict the scope of business activity or result in more severe monitoring or inspection by the authorities. In addition, self-regulatory rules set up by businesses or associations could hamper the business activities of the Group. This could result in a reduction in the services provided by the Group, which could have a detrimental effect on the Group's business or performance.

XII Risk Related to the Acquisition of Personnel and Expansion of Organizational Systems

To expand its operations to keep up with the growth in the markets it is involved with, the Group plans to strengthen and expand its personnel, organizations, and physical structures. However, there is no guarantee that the Group will be able to achieve this in a timely manner when necessary. Conversely, even if the Group can expand its staff and organizations, personnel expenses will increase and may place downward pressure on profitability. This may in turn, adversely affect the Group's business performance.

XIII Risk Related to Intellectual Property

The Group conducts business activities in such a way as to avoid infringing on the intellectual property rights of the third parties. However, it is possible that the Group may do so in some unforeseen circumstances.

Moreover, it is difficult to foresee how intellectual property rights, including patent rights, utility model rights, trademark rights, and copyrights, will be applied to the Group's businesses. Accordingly, if a third party acquires a patent in future that result in the Group infringing on the patent or if the Group is unknowingly infringing in its businesses on the patent of a third party that already exists, the third party may take legal action against the Group, or prevent the Group from using the property rights, or demand royalty payments. As a result, the Group may be required to halt its business or it may have a detrimental impact on the Group's business performance..

XIV Risks Related to Lawsuit and Claims

Although our legal section takes preventive actions, the Group may be subject to actions for damages. Depending upon the nature of the action and upon the degree of damage or damages incurred, our business may suffer. The following are possible examples.

- Damages suffered by content subscribers or wireless network operators due to failure of our network operator's server
- Compensation to consumers for defective merchandise or business transaction problems related to the Commerce Business
- Damages to our clients due to any delays on our part in developing systems, or failures in commissioned development projects and failed consultation and campaign support services

XV Risk in Managing Personal Information

As a special feature of its businesses, the Group holds records of the personal information of many individuals. As a result, the Group has created rules regarding the protection of personal information in accordance with the required items for the compliance program regarding personal information protection set out in the Japan Industrial Standard JIS-Q-15001 and in accordance with Version 3 of the Information Service Industry—Personal Information Protection Guidelines. In addition, the Group has set up an internal management system and regularly hold study groups on the subject for directors. The Group has also received certification under the Privacy Mark[®] system of the Japan Information Processing Development Corporation (JIPDEC) and the Japan Information Technology Services Industry Association (JISA). In this manner, the Group has set up a management system to prevent the leakage of personal information outside the Group. However, should personal information held by the Group be leaked outside the Group due to some unforeseen situation, it might have an adverse impact on the performance of the Group due to sales declines resulting from the drop in public trust or to compensation expenses paid.

XVI Others

a. Stock price volatility

Because the liquidity of the Group's shares is not particularly high, the volatility risk of its stock price is high. It is possible that large fluctuation in the Group's stock price could affect the financial activities of the Group.

b. Disclosure

Due to the internal delay in the communication of information and other factors, the Group might fail to disclose material information properly or in a timely manner. As a result, trading in the Group's stock could be suspended, or the Group could be assessed some other penalty.