

【Qualitative Data, Financial Statements, Etc.】

1. Qualitative Data on Consolidated Operating Results

(1) Market Environment (As of December 31, 2007)

I Japanese Mobile Internet Market

The number of mobile phone subscriptions in Japan reached 100.52 million at the end of December 2007. Of this amount, the proportion of Internet-enabled handset accounts was 83.3%. The number of third generation (3G) mobile phone subscriptions at the end of December 2007 totaled 87.28 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, and DENTSU INC. prepared by CYBIRD Holdings)

II 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))

(2) Results of Operation

(Quarter)

(Unit: Millions of yen, Round down)

	3 rd Quarter, FY ended March 31, 2007		3 rd Quarter, FY ending March 31, 2008		Changes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net Sales	7,608	100.0	8,210	100.0	601	7.9
Gross Profit	3,570	46.9	3,624	44.1	54	1.5
Operating Income	306	4.0	484	5.9	178	58.2
Ordinary Income (Loss)	256	3.4	381	4.6	125	48.8
Net Income (Loss)	(47)	(0.6)	85	1.0	132	-

Summary of Business Results (Quarter)

Consolidated net sales for the third quarter totaled ¥8,210 million, increasing ¥601 million, or 7.9%, from a year earlier. Sales growth can be attributed to the continued stable sales increase of the Mobile Content Business, sales growth of the cosmetic direct sales business, the core business of the Commerce Business, and growth in sales of Akihabara Outlet Plaza Co., Ltd., a subsidiary that markets consumer electronic products.

The change in the structure of the Commerce Business, however, caused a relative decline in the gross profit ratio of the overall group. Nevertheless, because of the effectiveness of the advertising investment by the cosmetic direct sales business and the decline in the fixed amount of goodwill amortization expenses, the selling, general and administrative expenses (SG&A) to net sales ratio improved.

As a result, operating income rose ¥178 million, or 58.2%, year on year, to ¥484 million, while ordinary income advanced ¥125 million, or 48.8%, to ¥381 million. Despite extraordinary losses posted due to the revision of projects and other factors, net income increased ¥132 million compared with the loss recorded in the prior third quarter, rising to ¥85 million.

(Reference)

	Net Income per share (yen)	ROE (%)	EBITDA (million of yen)
3Q, FY ending March 31, 2008	294.22	2.4	739

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

Sales by Business Segment

(Unit: Millions of yen, Round down)

	3 rd Quarter, FY ended March 31, 2007		3 rd Quarter, FY ending March 31, 2008		Change	
	millions of yen	%	millions of yen	%	millions of yen	%
Mobile Content Business	2,960	38.9	3,011	36.7	50	1.7
Commerce Business	3,160	41.6	3,860	47.0	699	22.1
Solution Business	892	11.7	700	8.5	(191)	(21.5)
Advertising Business	56	0.7	192	2.4	135	240.6
Investment Business	5	0.1	-	-	(5)	-
International Business	533	7.0	446	5.4	(86)	(16.3)
Total	7,608	100.0	8,210	100.0	601	7.9

a. Mobile Content Business

Sales of the Mobile Content Business achieved stable growth, advancing ¥50 million, or 1.7%, to ¥3,011 million year on year again supported by an effective promotion strategy for the business's main content services.

b. Commerce Business

Consolidated net sales of the Commerce Business for the third quarter amounted to ¥3,860 million, increasing ¥699 million, or 22.1%, from the same period in the previous fiscal year. Sales of the cosmetic direct sales business were favorable due to the continued renewal of products and promotional efforts. In addition, sales of Akihabara Outlet Plaza Co., Ltd., a subsidiary that sells consumer electronic products, rose due to its product line expansion.

c. Solution Business

Consolidated net sales of the Solution Business decreased ¥191 million, or 21.5%, year on year to ¥700 million. Although earnings from the development and operation of mobile sites and from direct sales support business for corporate clients were favorable, the loss of the sales of an e-commerce site development subsidiary that had been a consolidated subsidiary in the previous third quarter (said company was divested in the fourth quarter of fiscal 2007) resulted in an overall sales decline.

d. Advertising Business

Consolidated net sales of the Advertising Business amounted to ¥192 million, rising ¥135 million or 240.6% from a year earlier. Earnings came mainly from mobile advertising sales and revenues from the direct sales advertising agency business targeting corporate clients.

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

The Group has formed the CYBIRD Plus Mobile Fund Investment Business Limited Partnership, which is managed and supervised by wholly owned subsidiary CYBIRD Investment Partners Inc. Through this structure, the Investment Business has invested in eight companies.

f. International Business

Based on the revenues of North America content provider Airborne Entertainment Inc. (see note), International Business sales totaled ¥446 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.

Note: Airborne Entertainment Inc., changed its corporate name to Airborne Mobile Inc., effective December 7, 2007.

2. Qualitative Data on Consolidated Financial Statements

(1) Consolidated Cash Flow Statement

At the end of the third quarter, cash and cash equivalents totaled ¥5,283 million, up ¥1,137 million, or 27.4%, from the previous third quarter and up ¥215 million, or 4.2%, from the interim period.

(Cash flow from operating activities)

Cash flows from operating activities for the third quarter totaled ¥434 million, increasing ¥465 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 ¥234 million were non-cash expenditures of ¥161 million, including depreciation expenses, goodwill amortization expenses, and others. Included among negative factors were payment of payables and income tax.

(Cash flow from investing activities)

Cash flow from investing activities decreased by ¥150 million compared with a decrease of ¥247 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.

(Cash flow from financing activities)

Cash flow from financing activities contracted ¥13 million compared with an increase of ¥177 million in the previous third quarter. This result was primarily due to the repayment of borrowings.

	December 31, 2006	December 31, 2007
Equity ratio (%)	69.2	63.0
Equity ratio on a market value basis (%)	52.9	75.7
Debt Redemption (years)	2.0	2.0
Interest Coverage Ratio (times)	12.0	6.1

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

(The operating cash flow for the third quarter has been annualized by multiplying by 4)

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.