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The formal official document is in Japanese.

Summary of Consolidated Financial Results for the Fiscal Year ended September 30, 2018 (Japanese Accounting Standards)

October 30, 2018

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
Securities Code: 9438 URL: https://www.mti.co.jp/eng/
Representative: Toshihiro Maeta, President and Chief Executive Officer
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Scheduled date of annual meeting of shareholders: December 23, 2018
Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 25, 2018
Scheduled date of dividend payment: December 25, 2018
Supplementary documents for financial results: Yes
Quarterly results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the year ended September 30, 2018 (October 1, 2017 – September 30, 2018)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2018	29,075	(6.0)	3,218	(20.6)	3,116	(21.6)	1,629	13.6
For the year ended September 30, 2017	30,933	(5.8)	4,053	(24.3)	3,972	(25.2)	1,434	(56.8)

(Note) Comprehensive income: Year ended September 30, 2018: 1,465 million yen, 2.0%
Year ended September 30, 2017: 1,437 million yen, (53.1%)

	Net income per share	Net income per share/diluted	Return on Equity	Return on Assets	Net income
	Yen	Yen	%	%	%
For the year ended September 30, 2018	29.85	29.75	9.3	13.0	11.1
For the year ended September 30, 2017	26.27	26.12	8.4	16.2	13.1

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2018: (100)millions of yen
Year ended September 30 2017: (148) millions of yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended September 30 ,2018	23,896	18,808	75.2	328.78
Year ended September 30 ,2017	23,897	17,937	71.2	312.28

(Reference) Shareholders' equity: Year ended September 30 2018: 17,978 millions of yen
Year ended September 30 2017: 17,026 millions of yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by(used in)financing activities	Cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the year ended September 30, 2018	4,549	(3,322)	(855)	10,504
For the year ended September 30, 2017	3,442	(3,874)	(2,068)	10,133

2. Dividends

	Dividend per share					Amount of dividends paid (Total)	Dividend ratio (Consolidated)	Dividends on equity (Consolidated)
	End of first quarter	End of second period	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen		%	%
For the year ended September 30, 2018	–	8.00	–	8.00	16.00	871	60.9	5.1
For the year ended September 30, 2017	–	8.00	–	8.00	16.00	873	53.6	5.0
Year ending 9/19 (forecast)	–	8.00	–	8.00	16.00		62.5	

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast for consolidated business results for the fiscal year ending September 30, 2019
(October 1, 2018 – September 30, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the first half	14,000	(7.7)	1,000	(27.1)	950	(28.3)	600	(48.0)	10.97
Full year	28,000	(3.7)	2,400	(25.4)	2,300	(26.2)	1,400	(14.1)	25.60

* Notes

(1) Important changes of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: – Exception: –

(2) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to the modification in accounting methods: Not applicable
(ii) Changes in accounting policies other than (i): Not applicable
(iii) Changes in accounting estimates: Not applicable
(iv) Restatement: Not applicable

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares at the end of period (including treasury shares):
9/18: 61,016,400 shares 9/17: 60,854,400 shares
(ii) Number of treasury shares at the end of period
9/18: 6,333,128 shares 9/17: 6,333,128 shares
(iii) Average number of shares during the period
9/18: 54,567,909 shares 9/17: 54,595,270 shares

(Reference) Summary of financial results

1. Nonconsolidated financial results for the year ended September 30, 2018
(From October 1, 2017 - September 30, 2018)

(1) Nonconsolidated operating results (Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2018	24,859	(10.2)	3,442	(22.9)	3,505	(22.3)	1,308	38.6
For the year ended September 30, 2017	27,698	(10.4)	4,463	(24.1)	4,512	(23.2)	944	(74.2)

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2018	23.99	23.90
For the year ended September 30, 2017	17.29	17.19

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
For the year ended September 30, 2018	21,754	17,321	78.7	313.10
For the year ended September 30, 2017	21,947	16,661	75.2	302.55

(Reference) Shareholders' equity
As of September 30, 2018: 17,121 millions of yen As of September 30, 2017: 16,495 millions of yen

* This Summary of Consolidated Financial Results is exempt from audit by a certified public accountant or audit corporation.

* Status of review
Financial results is out of audit.

* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. For the assumptions underlying the forecasts and other notice on the use of earnings forecasts, please refer to "(2) Outlook for the next fiscal year" on page 3 in the accompanying material.

The Company will hold a briefing on earnings chiefly for securities analysts and institutional investors on Tuesday, October 31, 2018. A video of the briefing and a document to be used at the briefing will be posted on the Company's website as soon as the briefing ends.

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1. Operating results and financial conditions

(1) Analysis of operating results

1) Overview of the fiscal year ended September 30, 2018
(Period from October 1, 2017 to September 30, 2018)

The number of paying subscribers to smartphones was 4.57 million at the end of September 2018 (down 0.75 million from the end of September 2017) due to difficulty acquiring paying subscribers to smartphones at cellphone shops, and the total number of paying subscribers decreased to 5.60 million (down 0.96 million from the end of September 2017).

Net sales totaled ¥29,075 million (down 6.0% year on year) as a result of a decrease in the total number of paying subscribers from the previous fiscal year despite the continuing upward trend of average revenue per user (ARPU) and additional revenue from Video Market Corporation, a subsidiary consolidated in March 2017.

Gross profit declined to ¥22,670 million (down 10.4% year on year), reflecting an increase in cost of sales as a result of boosting the lineup in video distribution in addition to the reduced net sales.

Operating income and ordinary income also declined, to ¥3,218 million (down 20.6% year on year) and ¥3,116 million (down 21.6% year on year), respectively, mainly due to the decrease in gross profit despite a decrease in selling, general, and administrative expenses primarily because of a fall in advertising and subcontract expenses.

Profit attributable to owners of parent increased to ¥1,629 million (up 13.6% year on year), primarily attributable to a decrease in tax expense as a result of having taken over the loss carried forward of Climb Factory Co., Ltd., a wholly owned subsidiary, concurrently with its absorption-type merger (October 1, 2017).

Consolidated operating results
(Period from October 1, 2017 to September 30, 2018)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2017	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	29,075	30,933	(1,858)	(6.0)
Cost of sales	6,405	5,645	+759	+13.5
Gross profit	22,670	25,288	(2,618)	(10.4)
SG&A	19,452	21,234	(1,782)	(8.4)
Operating income	3,218	4,053	(835)	(20.6)
Ordinary income	3,116	3,972	(856)	(21.6)
Profit attributable to owners of parent	1,629	1,434	+194	+13.6

Breakdown of SG&A
(Period from October 1, 2017 to September 30, 2018)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2017	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	19,452	21,234	(1,782)	(8.4)
Advertising expenses	4,401	5,746	(1,345)	(23.4)
Personnel expenses	5,815	5,922	(107)	(1.8)
Commission fee	3,622	3,698	(76)	(2.1)
Subcontract expenses	1,125	1,432	(307)	(21.5)
Depreciation	1,639	1,690	(51)	(3.0)
Other	2,848	2,743	+105	+3.8

2) Outlook for the next fiscal year
(Period from October 1, 2018 to September 30, 2019)

Also for the next fiscal year, the Company will focus its efforts on expanding sales in the healthcare-related service business and seek to boost average revenue per user (ARPU) from smartphones in the content distribution business, in spite of a further reduction predicted in the overall number of paying subscribers.

The healthcare-related service business, which the Company is engaged in with a medium-term perspective, has strong growth potential over the longer term and may move more toward a stock type business than in the past with the provision of long-term support according to customers' life stages. Accordingly, the Company is committed to implementing various measures in order to achieve sales growth.

Earnings forecast for the six months of the fiscal year ending September 30, 2019

(Period from October 1, 2018 to March 30, 2019)

Consolidated profit and loss		
Net sales	14,000 millions of yen	(an decrease of 7.7% y-o-y)
Operating income	1,000 millions of yen	(an decrease of 27.1% y-o-y)
Ordinary income	950 millions of yen	(an decrease of 28.3% y-o-y)
Profit attributable to owners of parent	600 millions of yen	(an decrease of 48.0% y-o-y)

Earnings forecast for the fiscal year ending September 30, 2019

(Period from October 1, 2018 to September 30, 2019)

Consolidated profit and loss		
Net sales	28,000 millions of yen	(an decrease of 3.7% y-o-y)
Operating income	2,400 millions of yen	(an decrease of 25.4% y-o-y)
Ordinary income	2,300 millions of yen	(an decrease of 26.2% y-o-y)
Profit attributable to owners of parent	1,400 millions of yen	(an decrease of 14.1% y-o-y)

(2) Analysis of financial conditions

1) Analysis of financial conditions in the current fiscal year

a) Assets, liabilities and net assets

At the end of the fiscal year under review, total assets fell ¥1 million from the end of September 2017, to ¥23,896 million.

Current assets decreased ¥602 million, chiefly owing to a fall in notes and accounts receivable - trade. Non-current assets increased ¥601 million, largely as a result of an increase in investment securities.

Current liabilities dropped ¥929 million, primarily reflecting a decline in accounts payable - other and income taxes payable. Noncurrent liabilities increased ¥57 million, chiefly due to a rise in net defined benefit liability.

Net assets increased ¥871 million, mainly due to the posting of profit attributable to owners of parent of ¥1,629 million, which offset the payment of cash dividends.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	23,896	18,808	75.2
As of September 30, 2017	23,897	17,937	71.2

b) Cash flows

At the end of the fiscal year under review, cash and cash equivalents were ¥10,504 million, representing a increased of ¥370 million from the end of September 2017. Cash flows by activities and principal factors in the fiscal year under review were as follows.

Net cash provided by operating activities was ¥4,549 million (inflow of ¥3,442 million for the previous fiscal year). This is mainly a reflection of income before income taxes and depreciation, thereby offsetting income taxes paid.

Net cash used in investing activities stood at ¥3,322 million (outflow of ¥3,874 million in the previous fiscal year). Principal factors included the acquisition of intangible assets (mainly software) and investment securities.

Net cash used by financing activities came to ¥855 million (outflow of ¥2,068 million for the previous fiscal year). Principal factors included the the payment of cash dividends.

(Reference) Cash flows indicators

	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018
Equity ratio (%)	55.4	64.8	68.8	71.2	75.2
Equity ratio based on market value (%)	161.0	188.6	137.3	154.0	143.9
Ratio of cash flows to interest-bearing liabilities (%)	13.9	13.0	-	-	-
Interest coverage ratio (times)	616.6	1,414.4	2,223.9	5,646.4	25,971.6

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Ratio of cash flows to interest-bearing liabilities: Interest-bearing liabilities / Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities / Interest payments

Notes:

1. These indicators are calculated based on consolidated financial results.

2. Cash flows refers to net cash provided by operating activities in the consolidated statements of cash flows.

3. Interest-bearing liabilities refer to all liabilities in the consolidated balance sheet for which interest is paid. Interest payment refers to the interest payment amount in the consolidated cash flows statement.

2) Financial outlook for the next fiscal year

a) Assets, liabilities and net assets

The Company expects assets, liabilities, and net assets at the end of the fiscal year ending September 2019 to be greater than those at the end of the fiscal year under review.

Total assets are expected to increase, mainly reflecting an increase in cash and deposits.

Total liabilities are expected to rise chiefly due to an increase in net defined benefit liability.

Total net assets are expected to climb due to the recording of a profit attributable to owners of parent, even though dividends will be paid.

b) Cash flows

The Company expects cash and cash equivalents at the end of the fiscal year ending September 2019 to be greater than those at the end of the fiscal year under review.

Net cash is expected to be provided by operating activities. This is mainly a reflection of income before income taxes and depreciation, thereby offsetting income taxes payable.

Net cash is expected to be used by investing activities, largely because of the purchase of intangible assets (mainly software).

Net cash is expected to be used by financing activities, chiefly for the payment of cash dividends.

(3) Basic policy regarding profit distribution to shareholders and dividends for the current fiscal year and the next fiscal year

Key issues identified by the Company include enhancing market capitalization through the creation and the expansion of corporate value, and the continual distribution of dividends.

In distributing profits, the Company aims to provide shareholder returns with a total target payout ratio (*) of 35% in the medium term. To achieve this goal, the Company will remain true to its basic capital policy of achieving sustainable growth over the medium and long terms in net sales and income while returning profits to shareholders, and will work to secure a sufficient amount of internal reserves to carry out aggressive business development in the future.

As for the payment of year-end dividends for the fiscal year under review, the Company will pay ¥8 per share as previously projected from the perspective of maintaining stable dividends. Accordingly, annual dividends for the fiscal year ended September 2018 will be ¥16 per share, the same amount as the previous fiscal year.

As for the payment of dividends in the next fiscal year, the Company expects to pay annual dividends of ¥16 per share, with interim dividends of ¥8 per share and year-end dividends of ¥8.

* The ratio of total dividends paid and purchase of treasury shares to profit attributable to owners of parent

Total dividends paid (1)	Acquisition of treasury stock (2)	Net income (3)	Total payout ratio [(1) + (2)] / (3)
873 millions of yen	-	1,629 millions of yen	53.6%

(4) Business risks

We are providing the main items viewed as potential risk factors for our business development. Items that are not necessarily risk factors for our business development but that are important and useful for making investment judgments and items important for understanding our business activities are actively disclosed to investors.

We are aware of the possibility of these risks occurring, and we will work to prevent them and will respond promptly if they should occur. However, decisions on investment in shares in the Company need to be made in careful consideration of these items and items contained in this report. Furthermore, please keep in mind that the items mentioned below do not cover all possible risks associated with investing in our shares.

Items regarding the future are based on assessments we have made as of the time of releasing our financial results (October 30, 2018).

1) Over-reliance on certain individuals

President and Chief Executive Officer Toshihiro Maeta plays a central role in creating new business models and plays an important role in promoting operations. To create a management structure that does not depend excessively on President Maeta, we are working to cultivate human resources. However if Mr. Maeta is ever unable to perform his duties for some reason, our results may be impacted significantly.

2) Unexpected changes in the business environment

In our core mobile content business, actual net sales, cost of sales, selling, general and administrative expenses, and other results may differ significantly from our current forecasts for the reasons below. In this case, we could be forced to change our management policy and strategy, which could have a significant impact on our results.

a) Changes in the market environment result in factors of uncertainty that could not be foreseen when making business plans. Such changes could include the increase in paid subscribers for smartphone services falling well below our targets, or the decrease in paid subscribers for feature phone services being much bigger than expected, or the utilization of paid contents declining and user preferences changing rapidly due to the emergence of free contents.

b) We are unable to differentiate ourselves from competing companies in terms of content material, quality or price, and therefore are unable to acquire the target number of paid subscribers. Either that, or the competition for new subscribers with competing firms becomes sharper and price competition intensifies, which causes subscribers to our services to replace them with services of competitors or makes it harder to maintain cost competitiveness and secure the target number of paid subscribers.

c) Technical innovations proceed at a rapid pace and there are changes to the development/provision of services that meet the needs of smartphone users. The form of income and services/technologies become obsolete due to delays in responding to the advancing technologies. Content production costs increase more than expected, an efficient development system for content development cannot be maintained and earnings cannot be secured.

d) Cannot obtain the target number of paid subscribers due to a sudden saturation/reduction of the mobile contents market, or because advertising could not produce the desired impact on sales due to a drastic change in the way paid subscribers are gained, among other factors, or obtaining profit becomes difficult due to a bigger-than-expected increase in cost for acquiring contents.

e) As for the fee-based billing services provided by the Company or those the Company handles for other companies, the percentage of subscribers obtained through cellphone shops across Japan, its mainstay sales channel for mobile devices, is extremely high. As a result, it may become difficult to secure additional new subscribers if the roles of the sales channel change dramatically for various reasons, such as the introduction of legal restrictions and administrative guidance, the imposition of restrictions by cellphone carriers, and changes in the business environment.

f) In the fee-based billing services provided by the Company or those the Company handles for other companies, the number of new subscribers tends to change when cellphone carriers launch new models of mobile devices (sales seasons are usually in March, July, August and December). As a result, it may become difficult to secure additional new subscribers if the effects of new model launches during sales seasons for mobile devices are less than expected or if no effects of new model launches are expected.

g) We engage in the healthcare-related service business, the market for which is expected to expand in the future and which is believed to have high growth potential over the medium to long terms. However, it is difficult to forecast the impact of the business and an unexpected change may result in our failure to achieve the initial business plan or create the expected effect, with the result that earnings may not justify the prior investment.

h) Laws and regulation that could be relevant to our industry include the Act against Unjustifiable Premiums and Misleading Representations, Unfair Competition Prevention Act, Consumer Contract Act, Act on the Protection of Personal Information, Act on Specified Commercial Transactions, Medical Care Act, Pharmaceutical Affairs Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, Antimonopoly Act, and Act on Regulation on Soliciting Children by Using Opposite Sex Introducing Service on Internet.

3) Dependence on specific businesses

As below in the last two consolidated fiscal years, the Company depended heavily on cellphone carriers in terms of sales: The ratio of sales to cellphone carriers accounted for a high percentage of total sales. If cellphone carriers change their policies on Internet connection services, the Company's results and future business development could be seriously impacted.

Client	Fiscal year ended September 30, 2017		Client	Fiscal year ended September 30, 2018	
	Amount (thousand yen)	Ratio (%)		Amount (thousand yen)	Ratio (%)
NTT DOCOMO, INC.	17,939,701	58.0	NTT DOCOMO, INC.	16,387,242	56.4
KDDI CORPORATION	7,074,233	22.9	KDDI CORPORATION	6,687,231	23.0
SoftBank Corp.	1,418,821	4.6	SoftBank Corp.	1,112,930	3.8

(Note) Consumption taxes are not included in the above amounts.

4) Content provided by content holders

Copyright licenses for much digital contents, including music, books, video and others, are held exclusively by content holders. If copyright license agreements with contents holders are amended or terminated and we are no longer able to provide popular contents, we will not be able to obtain the contents from other sources and our results could be seriously impacted.

5) Hiring, retaining, and cultivating human resources

As described in Issues to address, the Company continues to enhance its marketing capacity, quality control capacity, development capacity, and design capacity to expand operations and achieve sustainable growth. If we cannot hire, retain, and cultivate human resources with high skills for enhancing those capacities, our results could be seriously impacted.

6) Information networks become inoperable

Our operations use communication lines and information systems. If they cannot be used for a long period due to the disconnection of communication lines caused by natural disasters or accidents, systems going down due to a greater-than-expected surge in access, viruses, or the hacking of computers, we could be forced to suspend operations, which could seriously impact our results.

7) Personal information leaks

We thoroughly protect personal information by building a tight control system to ensure information security, developing rules and regulations on the handling of information, and providing education and training for our employees and business partners. However, if a problem arises due to a personal information leak, our results could be seriously impacted.

8) Intellectual property right infringement

We are always careful not to infringe on a third party's intellectual property rights. However, we may infringe on a third party's intellectual property rights without realizing it. If we have to pay damages or suffer other losses as a result of a third party's claim for damages or filing an injunction or other lawsuits, our results could be seriously impacted.

9) Uncollected charges

We commission chiefly cellphone carriers to collect monthly charges from paid subscribers. If the continuance of agreements with carriers becomes difficult or fees for the collection of charges change due to changes in their business strategies, among other reasons, or if uncollected charges increase under some circumstances, our results could be impacted.

10) Ensuring the security and health of websites

We provide certain services that allow the general public to communicate with each other using the services' messaging functions. If any major trouble occurs due to a violation of the terms of use, among other reasons, the Company could be held responsible or the credibility and image of the Company's services could decline, which could impact the Company's results.

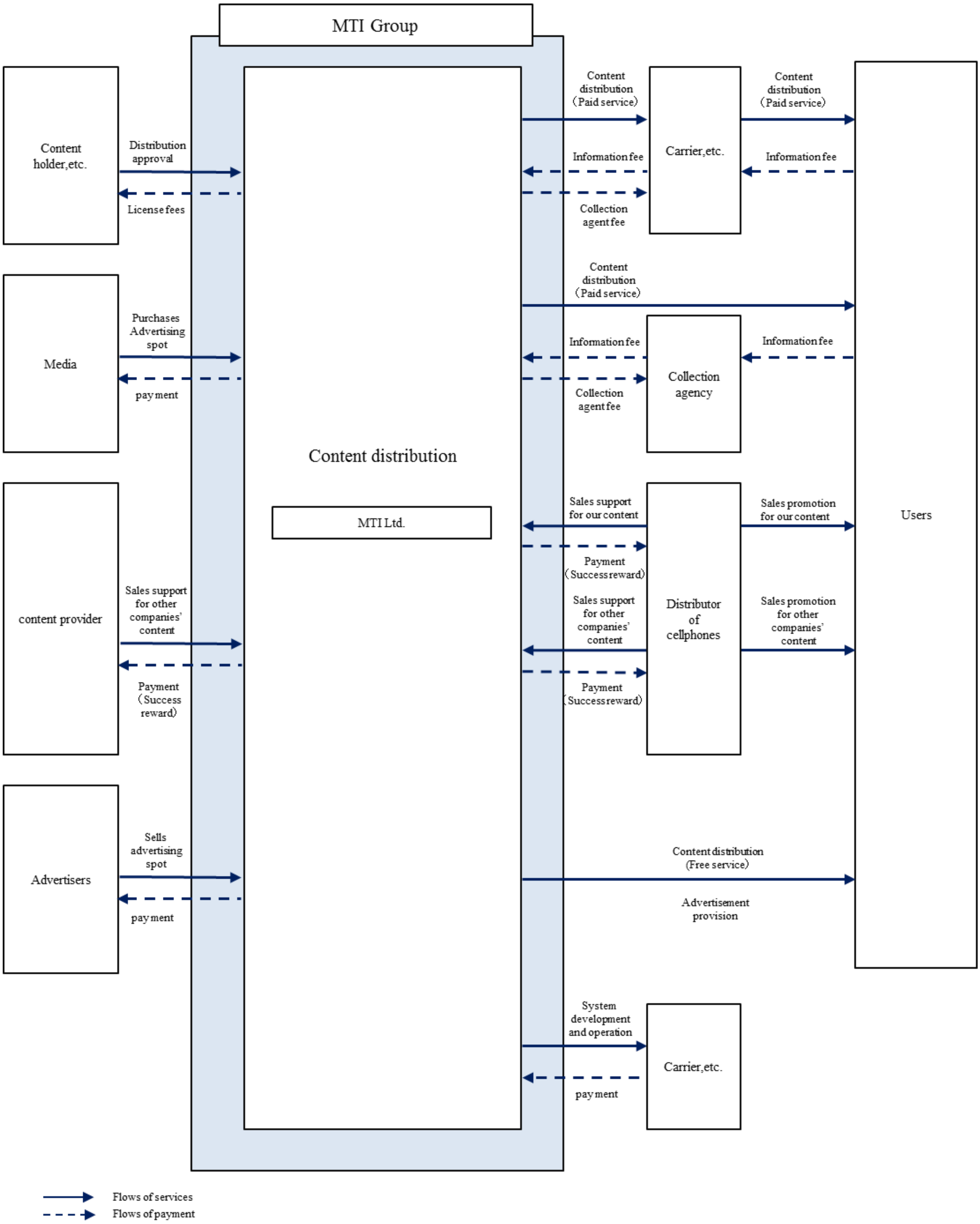
2. Business group

As of September 30, 2018 our business group consisted of 31 companies made up of MTI and affiliated companies, is primarily involved in the contents business. A general overview of the group is provided below.

(1) Description of business

Contents distribution business	MTI Ltd.

(2) Business distribution diagram



3. Management policy

(1) Basic management policy

The Company aims to help realize the future society that will be brought about by mobile devices. To this end, it will continually provide customers with user-friendly services that employ cutting-edge technologies and offer satisfactory quality and product variety by extensively understanding their views and expectations. The Company also aims to position itself as lifelong friend that customers can continually call upon by offering emotionally-moving experiences, and become a "mobile dream factory" that produces a series of services which make customers' dreams come true and their lives more convenient and enriching.

(2) Target management indexes

The rate of sales growth and the degree of improvement in operating income ratio are important management indexes for us here at MTI. We aim to continuously raise corporate value by always improving these indexes. To achieve sustainable growth, the Company will enhance its capabilities in marketing, quality control, the development of products and services, design, and sales. By continuing to improve these capabilities that are essential for business expansion, it seeks to address changes in market environments and customer needs flexibly.

(3) Medium- to long-term management strategy

Our strategy is to use a portion of the stable earnings generated by our content distribution business to invest in fields with high growth potential with the aim of fostering new fields capable of generating steady earnings. At the same time, we will invest in fields expected to have large markets and high growth.

We will strive to increase the added value of services as the smartphone service market is becoming mature.

Meanwhile, we aggressively work to create business opportunities by developing new services. We will work to realize sustained sales growth and continuous profit growth.

Medium- to long-term management strategies for each category are explained below

a) Improvement in average revenue per user (ARPU) in the content business

With the penetration rate of smartphones reaching a high level, the Company will work to provide services that are easier to use and understand and services that that offer added value that is greater than that of the current services.

Music, books, comics and video are uniquely popular among customers. That being said, the Company expects that the video-streaming market will continue to grow. To improve ARPU, it is therefore seeking to enhance the lineup of video content through an increase in the number of Hollywood movie titles.

b) Initiatives in the Healthcare-related business

The Company plans to operate the healthcare-related service business from a medium-term perspective, given its strong growth potential and the greater possibility than that in the past, of developing into a stock-type business by providing long-term support according to customers' life stages.

The Company provides an array of services related to the medical and healthcare fields and will work to make each service profitable at an early stage. At the same time, the Company will strive to establish services that are convenient for customers by integrating services in which multiple organizations such as medical institutions, dispensing pharmacies, medical checkup facilities, health insurance associations, and local governments collaborate with one another.

(4) Issues to address

1) Enhancing marketing capacity

Customer needs are continuously changing and becoming more varied due to the evolution of mobile devices and the expanding base of mobile content users. We realize the importance of constructing a system for continuously improving our marketing capacity by accurately grasping these trends and delivering contents with a high degree of customer satisfaction.

To this end we have strengthened organizational systems for our marketing divisions, bolstered personnel with specialized capacity and promoted the education and training of personnel by enhancing in-house training systems. These steps are allowing us to make marketing capacity, one of our strengths, even stronger.

2) Enhancing quality control capacity

We are aware that in order to encourage customers to use mobile contents on a continuing basis, customer needs obtained from marketing research must of course be reflected in the actual sites. We are also aware of the importance of building a strong quality control system in order to provide a product line up and a level of quality that will satisfy these customers.

To this end we have clarified the procedures and quality standards for each step in the production of our content materials, while conducting thorough management of these steps. At the same time we have made continuous improvements through the training and education of personnel as well as through PDCA activities, while building a system for the efficient production of high-quality content materials.

3) Enhancing development capacity

We will be able to provide mobile content services with even higher added value as mobile handsets become even more advanced and as the speed and capacity of communication infrastructures increase. Building a high quality technical development system will be essential for continuing to win the support of customers well into the future.

To promote development methods that can quickly and flexibly respond to changes in the technological environment, we are working to acquire and develop skilled personnel, while raising the technical skill levels of all development personnel. We will also promote offshore development to realize a high-quality and efficient system.

4) Enhancing design capacity

Services for smartphones allow for improved contents operability and greater expression. We realize that it is important to have a system in place for providing high quality designs, an extremely important point when customers select which services they will use.

Therefore, we are researching user interfaces and customer preferences, while working to acquire and develop highly skilled personnel. In this manner we are building a system capable of providing high quality designs.

4. Basic policy for the selection of accounting standards

The Group intends to compile its consolidated financial statements based on the Japanese accounting standard for the time being, considering the possibility of comparing the terms of financial statements and performances between companies.

It will adopt the International Financial Reporting Standards (IFRS), factoring in the situations in Japan and abroad.

5. Consolidated financial statements and important notes

（1） Consolidated balance sheet

（Unit: thousands of yen）

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	10,133,961	10,504,223
Notes and accounts receivable-trade	6,187,768	5,203,810
Advance payments-trade	235,169	262,446
Prepaid expenses	360,433	343,635
Accounts receivable-other	117,087	111,205
Income taxes receivable	1,851	1,678
Deferred tax assets	237,802	204,307
Other	157,067	178,239
Allowance for doubtful accounts	(64,541)	(45,477)
Total current assets	17,366,600	16,764,069
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	363,349	386,251
Accumulated depreciation	(267,565)	(284,293)
Facilities attached to buildings, net	95,784	101,958
Tools, furniture and fixtures	499,831	528,533
Accumulated depreciation	(318,724)	(367,170)
Tools, furniture and fixtures, net	181,107	161,363
Total property, plant and equipment	276,891	263,321
Intangible assets		
Software	2,078,726	1,757,366
Goodwill	46,401	179,624
Other	73,803	39,524
Total intangible assets	2,198,932	1,976,515
Investments and other assets		
Investment securities	2,437,544	3,309,236
Lease and guarantee deposits	526,887	498,282
Deferred tax assets	1,018,159	1,058,161
Other	136,387	52,808
Allowance for doubtful accounts	(63,532)	(25,829)
Total investments and other assets	4,055,446	4,892,659
Total non-current assets	6,531,270	7,132,496
Total assets	23,897,871	23,896,566

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	1,276,051	1,284,742
Accounts payable-other	1,974,346	1,462,258
Accrued expenses	430,329	453,382
Income taxes payable	668,727	133,223
Accrued consumption taxes	108,033	173,050
Provision for point usage	148,536	141,777
Provision for directors' bonuses	25,880	24,222
Other	251,825	281,508
Total current liabilities	4,883,730	3,954,165
Non-current liabilitie		
Net defined benefit liability	1,020,346	1,108,745
Negative goodwill	22,305	13,187
Other	34,111	12,043
Total non-current liabilities	1,076,764	1,133,977
Total liabilities	5,960,494	5,088,142
Net assets		
Shareholders' equity		
Capital stock	5,069,848	5,100,464
Capital surplus	5,790,072	5,820,687
Retained earnings	9,311,231	10,080,581
Treasury shares	(3,148,848)	(3,148,848)
Total shareholders' equity	17,022,303	17,852,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,646)	88,583
Foreign currency translation adjustment	(22,912)	(24,956)
Remeasurements of defined benefit plans	39,256	62,312
Total accumulated other comprehensive income	3,697	125,939
Subscription rights to shares	297,991	332,830
Non-controlling interests	613,383	496,768
Total net assets	17,937,376	18,808,423
Total liabilities and net assets	23,897,871	23,896,566

(2) Consolidated statement of income and consolidated comprehensive income
Consolidated statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Net sales	30,933,963	29,075,702
Cost of sales	5,645,715	6,405,494
Gross profits	25,288,248	22,670,207
Selling, general and administrative expenses	21,234,559	19,452,191
Operating income	4,053,688	3,218,016
Non-operating income		
Interest income	510	157
Dividend income	43,860	9,465
Amortization of negative goodwill	9,117	9,117
Foreign exchange gains	—	3,025
Subsidy income	9,711	8,613
Other	24,163	23,559
Total non-operating income	87,363	53,939
Non-operating expenses		
Interest expenses	609	175
Share of loss of entities accounted for using equity method	148,296	100,741
Foreign exchange losses	7,507	—
Other	12,177	54,722
Total non-operating expenses	168,591	155,639
Ordinary income	3,972,461	3,116,316
Extraordinary income		
Gain on step acquisitions	693,816	96,636
Gain on sales of non-current assets	—	734
Gain on sales of investment securities	154,911	60,002
Gain on change in equity	—	32,968
Gain on reversal of subscription rights to shares	4,315	10,632
Total extraordinary income	853,043	200,975
Extraordinary losses		
Impairment loss	230,822	100,190
Loss on retirement of noncurrent assets	87,447	147,825
Loss on valuation of investment securities	236,158	185,008
Loss on valuation of shares of subsidiaries and associates	11,719	—
Loss on sales of shares of subsidiaries and associates	—	1,870
Amortization of goodwill	1,399,033	730,513
Settlement package	108,817	55,827
Total extraordinary losses	2,074,000	1,221,236
Income before income taxes	2,751,504	2,096,055
Income taxes-current	1,576,198	817,667
Income taxes-deferred	(130,001)	(64,192)
Total income taxes	1,446,197	753,474
Profit	1,305,307	1,342,581
Profit (loss) attributable to non-controlling interests	(128,900)	(286,496)
Profit attributable to owners of parent	1,434,207	1,629,077

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Profit	1,305,307	1,342,581
Other comprehensive income		
Valuation difference on available-for-sale securities	(75,505)	101,230
Foreign currency translation adjustment	25,478	(1,124)
Remeasurements of defined benefit plans, net of tax	180,805	23,055
Share of other comprehensive income of entities accounted for using equity method	995	(419)
Total other comprehensive income	131,773	122,742
Comprehensive income	1,437,080	1,465,323
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,557,133	1,751,319
Comprehensive income attributable to non-controlling interests	(120,052)	(285,996)

(3) Consolidated statement of changes in equity

Previous fiscal year (from October 1, 2016 to September 30, 2017)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,012,181	5,834,419	8,727,679	(2,148,888)	17,425,392
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	57,667	57,667			115,334
Dividends of surplus			(880,560)		(880,560)
Profit attributable to owners of parent			1,434,207		1,434,207
Purchase of treasury shares				(999,959)	(999,959)
Increase (decrease) consolidated subsidiaries		(102,014)			(102,014)
Other			29,903		29,903
Net changes of items other than shareholders' equity					
Total changes of items during period	57,667	(44,347)	583,551	(999,959)	(403,088)
Balance at end of current period	5,069,848	5,790,072	9,311,231	(3,148,848)	17,022,303

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	65,027	(42,706)	(141,548)	(119,227)	132,236	414,550	17,852,951
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							115,334
Dividends of surplus							(880,560)
Profit attributable to owners of parent							1,434,207
Purchase of treasury shares							(999,959)
Increase (decrease) consolidated subsidiaries							(102,014)
Other							29,903
Net changes of items other than shareholders' equity	(77,674)	19,794	180,805	122,925	165,754	198,833	487,513
Total changes of items during period	(77,674)	19,794	180,805	122,925	165,754	198,833	84,424
Balance at end of current period	(12,646)	(22,912)	39,256	3,697	297,991	613,383	17,937,376

Current fiscal year (from October 1, 2017 to September 30, 2018)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,069,848	5,790,072	9,311,231	(3,148,848)	17,022,303
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	30,615	30,615			61,231
Dividends of surplus			(872,650)		(872,650)
Profit attributable to owners of parent			1,629,077		1,629,077
Change of scope of consolidation			12,923		12,923
Net changes of items other than shareholders' equity					
Total changes of items during period	30,615	30,615	769,350	－	830,581
Balance at end of current period	5,100,464	5,820,687	10,080,581	(3,148,848)	17,852,885

	Accumulated other comprehensive income				Subscription rights to Shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	(12,646)	(22,912)	39,256	3,697	297,991	613,383	17,937,376
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							61,231
Dividends of surplus							(872,650)
Profit attributable to owners of parent							1,629,077
Change of scope of consolidation							12,923
Net changes of items other than shareholders' equity	101,230	(2,044)	23,055	122,241	34,839	(116,615)	40,465
Total changes of items during period	101,230	(2,044)	23,055	122,241	34,839	(116,615)	871,047
Balance at end of current period	88,583	(24,956)	62,312	125,939	332,830	496,768	18,808,423

（4） Consolidated statement of cash flows

（Unit: thousands of yen）

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	2,751,504	2,096,055
Depreciation	1,780,455	1,700,400
Impairment loss	230,822	100,190
Amortization of goodwill	1,415,921	865,005
Amortization of negative goodwill	(9,117)	(9,117)
Increase (decrease) in allowance for doubtful accounts	36,923	(56,779)
Increase (decrease) in provision for point usage	(39,824)	(6,759)
Increase (decrease) in net defined benefit liability	155,309	118,674
Interest and dividend income	(44,371)	(9,623)
Interest expenses	609	175
Loss (gain) on step acquisitions	(693,816)	(96,636)
Share of (profit) loss of entities accounted for using equity method	148,296	100,741
Settlement package	108,817	55,827
Loss (gain) on change in equity	―	(32,968)
Loss on retirement of noncurrent assets	87,447	147,825
Loss (gain) on sales of non-current assets	―	(734)
Loss (gain) on valuation of investment securities	236,158	185,008
Loss (gain) on sales of investment securities	(154,911)	(60,002)
Loss on valuation of shares of subsidiaries and associates	11,719	―
Loss (gain) on sales of shares of subsidiaries and associates	―	1,870
Gain on reversal of subscription rights to shares	(4,315)	(10,632)
Decrease (increase) in notes and accounts receivable-trade	288,819	937,884
Decrease (increase) in advance payments	335,161	(27,008)
Decrease (increase) in prepaid expenses	69,949	16,122
Decrease (increase) in accounts receivable-other	(32,415)	(397)
Increase (decrease) in notes and accounts payable-trade	(56,742)	69,963
Increase (decrease) in accounts payable-other	(477,086)	(468,016)
Increase (decrease) in accrued expenses	(91,224)	20,162
Increase (decrease) in accrued consumption taxes	(198,300)	64,125
Other, net	(140,054)	186,493
Subtotal	5,715,736	5,887,847
Interest and dividend income received	44,371	59,722
Interest expenses paid	(609)	(175)
Income taxes (paid) refund	(2,256,232)	(1,314,352)
Settlement package paid	(60,817)	(83,990)
Net cash provided by (used in) operating activities	3,442,447	4,549,052

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Cash flows from investing activities		
Purchase of property, plant and equipment	(144,442)	(138,845)
Proceeds from sales of property, plant and equipment	—	1,700
Purchase of intangible assets	(1,708,506)	(1,444,293)
Purchase of investment securities	(2,044,975)	(887,763)
Proceeds from sales of investment securities	152,100	60,003
Proceeds from redemption of investment securities	249,975	—
Purchase of shares of subsidiaries and associates	(120,000)	(190,609)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(209,149)	(680,265)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	(26,373)
Payments for transfer of business	(47,901)	(18,500)
Proceeds from collection of lease and guarantee deposits	1,125	4,466
Other, net	(2,644)	(2,357)
Net cash provided by (used in) investing activities	(3,874,417)	(3,322,839)
Cash flows from financing activities		
Repayments of long-term loans payable	(165,934)	(9,880)
Proceeds from issuance of common shares	88,435	48,662
Purchase of treasury shares	(1,002,724)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(101,600)	—
Cash dividends paid	(880,560)	(872,650)
Other, net	(5,975)	(21,446)
Net cash provided by (used in) financing activities	(2,068,358)	(855,314)
Effect of exchange rate change on cash and cash equivalents	21,277	(636)
Net increase (decrease) in cash and cash equivalents	(2,479,050)	370,261
Cash and cash equivalents at beginning of period	12,613,012	10,133,961
Cash and cash equivalents at end of period	10,133,961	10,504,223

(5) Consolidated financial statements and important notes

(Notes relating to going concern assumptions)
Not applicable.

(Notes relating to significant items for preparation of consolidated financial statements)
1. Items concerning the scope of consolidation
Our consolidated subsidiaries are the following 24 companies, all of which are consolidated.

TeraMobile, Inc.
FIL Corporation
music.jp, Inc.
comic.jp, Inc.
movile Ltd.
Automagi Inc.
Mediano Ltd.
MShift, Inc.
EverGene Ltd.
Sonicnaut Co., Ltd.
PHARUMO, Inc.
KARADAmedica, Inc.
MTI Healthcare Lab Ltd.
MTI TECHNOLOGY Co., Ltd
Video Market Corporation
MGSHD Inc.
SPSHD Co., Ltd.
MTI FINTECH LAB LTD
Clinical Platform Inc.
PV Inc.
I-See Inc.
Cocomammy Ltd.
Solamichi System Inc.
Motivation Works Inc.

CLIMB Factory Co., Ltd., which was included in the Company's consolidated subsidiaries in the previous consolidated fiscal year, has been extinguished through an absorption type merger with the Company as the surviving entity, and has been excluded from the scope of consolidation.

ZERO-A Co., Ltd., which was included in the Company's consolidated subsidiaries in the previous fiscal year, has been excluded from the scope of consolidation due to the Company's sale of all of the shares in ZERO-A Co., Ltd.

Clinical Platform Inc. has been added to the scope of consolidation through the additional acquisition of shares in the company in the fiscal year under review.

PV Inc., I-See Inc., and Cocomammy Ltd. have been added to the scope of consolidation through the acquisition of shares in these companies in the fiscal year under review.

Solamichi System Inc. and Motivation Works Inc. have been newly established and added to the scope of consolidation from the fiscal year under review.

2. Items concerning the application of equity method

(1) Number of equity method affiliates: 6

SHANGHAI HYRON MTI CO., LTD.
StaGen Co., Ltd.
Smart Med Co., Ltd.
Authlete Japan Inc.
Mebifarm Holdings Ltd.
Crowd Cast, Ltd.

Mebifarm Holdings Ltd. And Crowd Cast, Ltd. are included in the scope of application of the equity method by the acquisition of shares in the companies in the consolidated fiscal year under review.

(2) Names of non-equity method affiliates

livepass, Inc.

Reason for not applying the equity method

The company above is not accounted for under the equity method because its effect on such items as net income and retained earnings of this term is insignificant and also immaterial as a whole.

(3) Matters concerning the procedures for the application of the equity method that are deemed to require particular attention

Equity method affiliates that have a closing date that differs from the consolidated closing date are using financial statements based on a provisional closing date that is the consolidated closing date or the last day of the month preceding the consolidated closing date.

3. Items concerning the accounting periods of the consolidated subsidiaries and the like

Among the consolidated subsidiaries, MShift, Inc. and Video Market Corporation close their books on December 31 each year. The financial statements of these subsidiaries are prepared based on a provisional closing date that is the last day of the month preceding the consolidated closing date or the consolidated closing date. The closing dates of other consolidated subsidiaries are consistent with the consolidated closing date.

4. Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

Securities

Other securities

Other securities with market value

The market value method based on market prices and the like at the closing date is applied. (Unrealized holding gains and losses are accounted for as a component of net assets, and the costs of sold securities are mainly computed based on the moving average method.)

Other securities without market value

A historical cost method based on the moving average method is applied.

(2) Depreciation methods for significant depreciable assets

a) Property, plant and equipment

The declining-balance method is applied. Their main useful lives are as follows:

Facilities attached to buildings: 3 - 18 years
Tools, furniture and fixtures: 3 - 20 years

b) Intangible assets

Software

Software used in the company

The straight-line method based on the useful lives within the company (2 - 5 years) is applied.

c) Long-term prepaid expenses

The straight-line method is applied.

(3) Basis for significant allowances

a) Allowance for doubtful accounts

To prepare for losses on the collection of receivables, the allowance for doubtful accounts provides an estimated amount of uncollectable. The amount of the allowance for general receivables is based on the historical loan loss ratio. As for certain receivables such as doubtful accounts receivable etc., the recoverability of each receivable is examined individually, and the estimated unrecoverable amounts are recognized as the allowance.

b) Provision for point usage

The Company recognizes an amount of cost of sales that is expected to arise in the future from the use of points given to the subscribers to the content distribution services provided by the Group as of the end of the current consolidated fiscal year.

c) Provision for directors' bonuses

To prepare for outlays for officers' bonuses, an amount applicable for the current consolidated fiscal year is provided based on the estimated amount of payment.

(4) Reserves for retirement benefits

a) Period reversion method

To prepare for the retirement benefits of employees, an actual amount at the end of the current consolidated fiscal year is provided based on the estimated amount of retirement benefit obligations as of the end of the current consolidated fiscal year.

b) Expense processing method on actuarial difference

Actuarial gains and losses are amortized from the following consolidated fiscal year of occurrence, using the straight-line method over the average remaining service period of employees at the time of occurrence in each consolidated fiscal year.

(5) Standards for conversion of significant foreign currency-denominated assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates, with the translation difference included in the current statements of income. The assets, liabilities, earnings, and expenses of overseas subsidiaries, as well as those of overseas equity method affiliates, have been translated into Japanese yen at the prevailing spot exchange rates at the end of the month preceding the consolidated settlement date, and the translation difference has been included in foreign currency translation adjustment under net assets.

(6) Amortization method and period of goodwill

Goodwill and negative goodwill from the period on or before September 30, 2010 are amortized in accordance with the equal installment method over a period of time, which is estimated individually according to the effect of goodwill are negative goodwill.

(7) Scope of cash and cash equivalents reported in consolidated statements of cash flows

Cash on hand, readily available deposits and short-term investments, which are highly liquid, only exposed to small risks for value changes and have maturities of terms not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

(8) Other important items

Accounting for consumption taxes

Transactions are recorded at amounts exclusive of taxes such as consumption taxes.

(Accounting standards yet to be applied, etc.)

・ "Implementation Guidance on Accounting Standard for Tax Effect Accounting" （ASBJ Guidance No. 28, February 16, 2018）

・Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 28, 2018)

(1) Overview

The treatment of future taxable temporary differences related to subsidiary shares, etc. in non-consolidated financial statements has been revised, and the treatment of the recoverability of deferred tax assets of companies corresponding to Classification 1 has been defined.

(2) Planned date of application

The Company plans to apply the implementation guidance from the beginning of the fiscal year ending September 30, 2019.

(3) Impact of applying the implementation guidance

The impact was being assessed when these consolidated financial statements were prepared.

・ "Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 29, March 30, 2018)

・ "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

It is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Planned date of application

The Company plans to apply the implementation guidance from the beginning of the fiscal year ending September 30, 2022.

(3) Impact of applying the implementation guidance

The impact was being assessed when these consolidated financial statements were prepared.

(Changes in presentation)

The “provision for coin usage” presented in the consolidated balance sheet and consolidated cash flows statement in the previous fiscal year has been renamed as “provision for point usage” from the fiscal year under review in order to appropriately indicate the actual state.

(Segment information)

Consolidated financial results for the year ended September 30, 2018.

Segment information is omitted since the Group consists of a single segment concerning content distribution for mobile phones (operation of websites) and related services.

(Per share information)

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Net assets per share	Yen 312.28	Yen 328.78
Net income per share	Yen 26.27	Yen 29.85
Diluted net income per share	Yen 26.12	Yen 29.75

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Net income per share		
Profit attributable to owners of parent	Thousands of yen 1,434,207	Thousands of yen 1,629,077
Amount not attributed to common stockholders	–	–
Profit attributable to owners of parent related to common shares	Thousands of yen 1,434,207	Thousands of yen 1,629,077
Average number of shares outstanding to common stock	54,595,270	54,567,909
Diluted net income per share		
Adjusted profit attributable to owners of parent	–	–
Increase in common stock	310,796	192,257
(Include subscription rights to shares)	310,796	192,257
Summary of potential stock not included in the calculation of amount of diluted net income per share since there was no dilutive effect.	Subscription rights to share Dates of resolution by the board of directors May 1, 2015 (Number of the subscription rights to share 1,442 rights) January 29, 2016 (Number of the subscription rights to share 3,117 rights) March 8, 2016 (Number of the subscription rights to share 223 rights) April 27, 2017 (Number of the subscription rights to share 3,902 rights)	Subscription rights to share Dates of resolution by the board of directors May 1, 2015 (Number of the subscription rights to share 1,390 rights) January 29, 2016 (Number of the subscription rights to share 2,966 rights) March 8, 2016 (Number of the subscription rights to share 186 rights) April 27, 2017 (Number of the subscription rights to share 3,574 rights) April 27, 2018 (Number of the subscription rights to share 3,653 rights)

(Significant subsequent events)

Not applicable.

(Omission of disclosure)

Notes related to consolidated balance sheets, consolidated statements of income, consolidated comprehensive income, consolidated statement of changes in equity, consolidated statements of cash flows, lease transactions, financial merchandise, securities, derivatives trading, retirement benefit, stock options transactions, tax effect accounting, business combination and the like, asset retirement obligation, real estate for rent and the like, information related parties are not presented since the necessity to disclose those with these financial results is not considered significant.

6. Financial statements and important notes

（1） Balance sheet

（Unit: thousands of yen）

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	7,660,853	7,761,531
Accounts receivable-trade	5,479,479	4,606,082
Merchandise	9,678	17,177
Supplies	9,787	2,597
Advance payments-trade	70,253	68,397
Prepaid expenses	341,184	309,300
Accounts receivable-other	98,581	115,932
Deferred tax assets	215,820	197,630
Other	137,766	68,353
Allowance for doubtful accounts	(48,394)	(34,362)
Total current assets	13,975,011	13,112,640
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	321,403	339,981
Accumulated depreciation	(256,074)	(268,077)
Facilities attached to buildings, net	65,329	71,904
Tools, furniture and fixtures	366,935	401,016
Accumulated depreciation	(213,468)	(264,132)
Tools, furniture and fixtures, net	153,467	136,883
Total property, plant and equipment	218,796	208,788
Intangible assets		
Patent right	50,083	18,060
Right of trademark	15,683	14,006
Software	1,861,153	1,559,853
Goodwill	—	7,777
Other	1,849	2,173
Total intangible assets	1,928,769	1,601,870
Investments and other assets		
Investment securities	1,864,513	2,419,017
Shares of subsidiaries and associates	1,915,592	2,104,818
Long-term loans receivable	475,000	755,000
Long-term loans receivable from employees	85	1,728
Long-term prepaid expenses	7,991	21,385
Lease and guarantee deposits	461,647	453,440
Deferred tax assets	1,046,538	1,075,864
Other	116,879	26,128
Allowance for doubtful accounts	(63,532)	(25,829)
Total investments and other assets	5,824,714	6,831,553
Total non-current assets	7,972,280	8,642,213
Total assets	21,947,292	21,754,853

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	878,759	838,561
Accounts payable-other	1,944,565	1,468,754
Accrued expenses	320,617	320,388
Income taxes payable	556,469	66,066
Accrued consumption taxes	54,729	124,130
Advances received	108,289	86,110
Deposits received	68,813	73,728
Provision for point usage	148,536	141,777
Provision for directors' bonuses	20,025	19,939
Other	74,265	83,081
Total current liabilities	4,175,072	3,222,537
Non-current liabilities		
Provision for retirement benefits	1,076,918	1,198,558
Other	34,111	12,141
Total non-current liabilities	1,111,030	1,210,699
Total liabilities	5,286,102	4,433,237
Net assets		
Shareholders' equity		
Capital stock	5,069,848	5,100,464
Capital surplus		
Legal capital surplus	4,874,918	4,905,533
Other capital surplus	379,794	379,794
Total capital surplus	5,254,712	5,285,328
Retained earnings		
Legal retained earnings	7,462	7,462
Other retained earnings		
Retained earnings brought forward	9,367,917	9,804,138
Total retained earnings	9,375,379	9,811,601
Treasury shares	(3,148,848)	(3,148,848)
Total shareholders' equity	16,551,093	17,048,545
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(55,551)	72,584
Total valuation and translation adjustments	(55,551)	72,584
Subscription rights to shares	165,648	200,486
Total net assets	16,661,189	17,321,616
Total liabilities and net assets	21,947,292	21,754,853

(2) Statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2016 to September 30, 2017)	Current fiscal year (from October 1, 2017 to September 30, 2018)
Net sales	27,698,451	24,859,379
Cost of sales	4,125,628	3,824,086
Gross profits	23,572,823	21,035,293
Selling, general and administrative expenses	19,109,522	17,593,224
Operating income	4,463,300	3,442,069
Non-operating income		
Interest and dividend income	44,123	92,653
Other	17,264	16,361
Total non-operating income	61,387	109,014
Non-operating expenses		
Other	12,626	45,851
Total non-operating expenses	12,626	45,851
Ordinary income	4,512,061	3,505,232
Extraordinary income		
Gain on extinguishment of tie-in shares	10,936	—
Gain on sales of investment securities	154,911	60,002
Gain on reversal of subscription rights to shares	4,315	10,632
Total extraordinary income	170,163	70,634
Extraordinary losses		
Impairment loss	193,500	52,607
Loss on retirement of non-current assets	90,194	124,402
Loss on valuation of investment securities	200,000	185,008
Loss on valuation of shares of subsidiaries and associates	1,806,923	1,223,620
Settlement package	108,817	55,827
Total extraordinary losses	2,399,436	1,641,466
Income before income taxes	2,282,788	1,934,400
Income taxes-current	1,449,998	693,175
Income taxes-deferred	(111,236)	(67,646)
Total income taxes	1,338,761	625,528
Net income	944,026	1,308,871

(3) Statement of changes in shareholders' equity

Previous fiscal year (from October 1, 2016 to September 30, 2017)

(Unit: Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,012,181	4,817,250	379,794	5,197,045	7,462	9,304,451	9,311,913	(2,148,888)	17,372,252
Changes of items during period									
Issuance of new shares-exercise of subscription rights to shares	57,667	57,667		57,667					115,334
Dividends from surplus						(880,560)	(880,560)		(880,560)
Net income						944,026	944,026		944,026
Purchase of treasury shares								(999,959)	(999,959)
Net changes of items other than shareholders' equity									
Total changes of items during period	57,667	57,667	—	57,667	—	63,466	63,466	(999,959)	(821,158)
Balance at of current period	5,069,848	4,874,918	379,794	5,254,712	7,462	9,367,917	9,375,379	(3,148,848)	16,551,093

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at beginning of current period	68,682	68,682	132,103	17,573,037
Changes of items during period				
Issuance of new shares-exercise of subscription rights to shares				115,334
Dividends from surplus				(880,560)
Net income				944,026
Purchase of treasury shares				(999,959)
Net changes of items other than shareholders' equity	(124,233)	(124,233)	33,544	(90,688)
Total changes of items during period	(124,233)	(124,233)	33,544	(911,847)
Balance at of current period	(55,551)	(55,551)	165,648	16,661,189

Current fiscal year (from October 1, 2017 to September 30, 2018)

(Unit: thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,069,848	4,874,918	379,794	5,254,712	7,462	9,367,917	9,375,379	(3,148,848)	16,551,093
Changes of items during period									
Issuance of new shares-exercise of subscription rights to shares	30,615	30,615		30,615					61,231
Dividends from surplus						(872,650)	(872,650)		(872,650)
Net income						1,308,871	1,308,871		1,308,871
Net changes of items other than shareholders' equity									
Total changes of items during period	30,615	30,615	—	30,615	—	436,221	436,221	—	497,452
Balance at of current period	5,100,464	4,905,533	379,794	5,285,328	7,462	9,804,138	9,811,601	(3,148,848)	17,048,545

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at beginning of current period	(55,551)	(55,551)	165,648	16,661,189
Changes of items during period				
Issuance of new shares-exercise of subscription rights to shares				61,231
Dividends from surplus				(872,650)
Net income				1,308,871
Net changes of items other than shareholders' equity	128,135	128,135	34,838	162,974
Total changes of items during period	128,135	128,135	34,838	660,426
Balance at of current period	72,584	72,584	200,486	17,321,616

(4) Notes on financial statements

(Notes on concerning going concern assumption)

Not applicable.

(Changes in presentation)

The “allowance for coin usage” presented on the balance sheet in the previous fiscal year has been renamed as “provision for point usage” from the fiscal year under review to appropriately indicate the actual state.

7. Other

（1） Changes in officers (Scheduled to take effect on December 22, 2018)

(i) Candidate for new director

Director: Ryosuke Tsuchiya

* Ryosuke Tsuchiya is a candidate for an outside director.

(ii) Retiring directors

Senior Managing Director: Yoshihiro Shimizu

Director: Masaya Onagi (outside director)