

Consolidated Financial Results for the Year Ended September 30, 2009

November 4, 2009

Company name: MTI Ltd.
 Stock code: 9438
 Shares listed: Jasadq Securities Exchange
 URL: <http://www.mti.co.jp>
 Representative: Toshihiro Maeta, President and Chief Executive Officer
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Scheduled date of Ordinary General Meeting of Shareholders: December 23, 2009
 Scheduled date of start of dividend payment: December 24, 2009
 Scheduled date of filing of Securities Report: December 24, 2009

(Figures rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Year Ended September 30, 2009 (From October 1, 2008 to September 30, 2009)

(1) Consolidated Operating Results

(Millions of yen except for per share amounts)

(Percentages show change in value from the corresponding previous period)

	Net sales	Operating income	Ordinary income	Net income
For the year ended September 30, 2009	25,732 (19.1%)	2,213 (28.2%)	2,177 (30.0%)	1,669 (196.4%)
For the year ended September 30, 2008	21,615 (16.7%)	1,726 (53.7%)	1,675 (62.8%)	563 (-46.5%)

	Net income per share (Yen)	Fully diluted net income per share (Yen)	Return on equity	Return on assets	Operating income ratio
For the year ended September 30, 2009	12,446.91	12,346.21	27.6%	18.7%	8.6%
For the year ended September 30, 2008	4,086.52	4,048.63	10.3%	16.6%	8.0%

(Reference) Equity in earnings of affiliates

Year ended September 30, 2009: (1) million yen Year ended September 30, 2008: (60) million yen

(2) Consolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
As of September 30, 2009	12,557	6,807	53.7%	50,227.79
As of September 30, 2008	10,758	5,385	49.9%	39,567.06

(Reference) Shareholders' equity

As of September 30, 2009: 6,747 million yen As of September 30, 2008: 5,368 million yen

(3) Consolidated Cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
As of September 30, 2009	1,740	(1,081)	(551)	1,532
As of September 30, 2008	1,449	(1,470)	(11)	1,442

2. Dividends

(Yen; Millions of yen for total dividends)

	Cash dividends per share					Total dividends (annually)	Payout ratio (consolidated)	Dividends on equity ratio (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of the year	Annual			
For the year ended September 30, 2008	—	0.00	—	1,000.00	1,000.00	135	24.5%	2.5%
For the year ended September 30, 2009	—	0.00	—	2,000.00	2,000.00	268	16.1%	4.5%
For the year ending September 30, 2010 (Forecast)	—	0.00	—	2,000.00	2,000.00		15.6%	

3. Consolidated Forecast for the Year Ending September 2010 (From October 1, 2009 to September 30, 2010)

(Millions of yen except for per share amounts)

(Percentages show change in value from the corresponding previous periods respectively)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
For the six months ending March 31, 2010	14,500 (19.5%)	700 (-16.1%)	685 (-14.6%)	380 (-55.9%)	2,828.60
The year ending September 30, 2010	30,000 (16.6%)	3,000 (35.6%)	2,970 (36.4%)	1,720 (3.0%)	12,803.14

4. Others

- (1) Changes of significant subsidiaries during the fiscal year
(including changes of specified subsidiaries resulting in change in scope of consolidation): No
Newly consolidated: None Excluded: None
- (2) Changes in accounting principles, procedures, and disclosures for consolidated financial statements
(which should be stated in Changes of Significant Items for Preparation of Consolidated Financial Statements)
(i) Changes pursuant to revision of accounting principles: Yes
(ii) Other changes: Yes
- (3) Number of issued shares (common stock)
(i) Number of issued shares at end of year
Year ended September 30, 2009: 134,342 shares (including treasury stock)
Year ended September 30, 2008: 138,880 shares (including treasury stock)
(ii) Number of treasury shares at end of year
Year ended September 30, 2009: — shares
Year ended September 30, 2008: 3,193 shares

(Reference) Summary of Nonconsolidated Financial Results

1. Nonconsolidated Financial Results of the Year Ended September 30, 2009
(From October 1, 2008 to September 30, 2009)

(1) Nonconsolidated Operating Results

(Millions of yen except for per share amounts)

(Percentages show change in value from the corresponding previous period)

	Net sales	Operating income	Ordinary income	Net income
For the year ended September 30, 2009	25,446 (22.3%)	2,121 (-7.8%)	2,108 (-9.1%)	1,140 (164.4%)
For the year ended September 30, 2008	20,801 (14.4%)	2,300 (73.8%)	2,318 (79.5%)	431 (-39.5%)

	Net income per share (Yen)	Fully diluted net income per share (Yen)
For the year ended September 30, 2009	8,503.75	8,434.96
For the year ended September 30, 2008	3,129.66	3,100.64

(2) Nonconsolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Total net assets	Equity ratio	Total net assets per share (Yen)
As of September 30, 2009	12,185	6,510	52.9%	48,018.18
As of September 30, 2008	10,664	5,599	52.3%	41,143.76

(Reference) Shareholders' equity

As of September 30, 2009: 6,450 million yen As of September 30, 2008: 5,582 million yen

* Explanations about the appropriate use of the performance forecasts and other noteworthy points

This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ substantially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events. See "1. Operating Results" for assumptions underlying the above forecasts and precautions regarding their use.

1. Operating results

(1) Analysis of operating results

1) Operating results for the year ended September 30, 2009 (From October 1, 2008 to September 30, 2009)

In the mobile telecommunications industry, our core business area, the number of 3G or better service mobile phone subscribers as of the end of September 2009 reached 104.61 million, which accounts for 95.4% of all mobile phone subscriptions, according to a survey conducted by the Telecommunications Carriers Association. There has also been a notable shift to higher-performance 3.5G telephone handsets.

Meanwhile, the packet flat-rate service is becoming widespread. We can expect users of all age groups to use the service following the development of both suitable hardware for mobile phone handsets and software for the service. In addition, we expect demand for mobile content, including lifestyle information content, to continue to expand in the future.

Under such circumstances, we aggressively rolled out promotional activities to expand the paying subscriber base, mainly for content with growth potential such as health-related information and full-length song tracks (Chaku-uta Full). As a result, the number of paying subscribers in the content distribution business as of the end of September 2009 increased to 8.02 million, an increase of 1.92 million compared to the end of September 2008.

Net sales grew 19.1% year on year to ¥25,732 million, helped by the increase in paying subscribers. Gross profit was boosted significantly by 16.2% year on year to ¥17,812 million, despite an increase in the cost of sales ratio—due to a rise in music downloads, in step with growth in the number of subscribers of music content—which was offset by an increase in revenue from the expansion in the paying subscriber base.

Furthermore, the increase in selling, general and administrative expenses, notably in advertising and public relations, personnel expenses, payment of commission and depreciation, was covered by the significant rise in gross profit, and operating income and ordinary income soared to ¥2,213 million, up 28.2% year on year, and ¥2,177 million, up 30.0% year on year, respectively, to reach a record high for the fourth consecutive year.

While we posted an extraordinary loss of ¥333 million, net income for the fiscal year under review surged by 196.4% year on year to ¥1,669 million due to the increase in income before income taxes and the decrease in tax payment accompanying the completion of the merger with consolidated subsidiary comic.jp., inc., on February 1, 2009.

Consolidated operating results

For the years ended September 30, 2009 and 2008

(Millions of yen)

	2009	2008	Change	
			Amount	Percentage change
Net sales	25,732	21,615	4,117	19.1%
Gross profit	17,812	15,329	2,483	16.2%
Operating income	2,213	1,726	486	28.2%
Ordinary income	2,177	1,675	502	30.0%
Net income	1,669	563	1,106	196.4%

Note: Figures are rounded down to the nearest million yen.

Overview of business by segment

A. Content distribution business

In the area of music content, we focused our efforts on acquiring popular music tracks and developing various promotions. The number of subscribers paying to download full-length song tracks expanded steadily. We also boosted the paying subscriber base for song ringtone (Chaku-uta) services, for which the market has matured, and were able to maintain the paying subscriber base for ringtone melody (Chaku-mello) services, for which the market is shrinking.

Regarding health-related information services, our proactive promotional activities, including the broadcast of TV commercials, proved successful and the paying subscriber bases for these services exceeded one million in August 2009. This resulted in the first mobile web site providing non-music content with a paying subscriber base of over one million.

In the area of decorative e-mail services, we were able to boost the number of paying subscribers in the overall category on the strength of the aggressive and effective promotional activities we had rolled out during the year-end and the new-year biggest-demand season, as well as the launch of a pictographic site, “Deco Tomo ★ Emoji DX” in December 2008.

As a result of the above, the paying subscriber base as of the end of September 2009 soared to 8.02 million, an increase of 1.92 million compared to the end of September 2008, net sales rose to ¥25,264 million, up 20.2% year on year, and operating income amounted to ¥2,720 million, down 11.7% year on year, on account of proactive

investment in promotional activities.

B. Mobile advertising business

We worked to stimulate use of services by registered members while minimizing losses accompanying the forward investment. As a result, the number of registered users as of the end of September 2009 reached 4.23 million, an increase of 320,000 compared to the end of September 2008. Net sales in this business amounted to ¥561 million, down 17.4% year on year, and operating loss was ¥428 million, an operating loss of ¥1,258 million as of the end of September 2008.

Net sales by business segment (consolidated basis)

For the years ended September 30, 2009 and 2008

(Millions of yen)

	2009		2008		Change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Percentage change
Content distribution business	25,264	98.2%	21,024	97.3%	4,240	20.2%
Mobile advertising business	561	2.2%	679	3.1%	(117)	-17.4%
Total	25,732	100.0%	21,615	100.0%	4,117	19.1%

Note: Figures are rounded down to the nearest million yen.

The above-listed total segment net sales include eliminations and corporate [2009: ¥(93) million; 2008: ¥(88) million].

Operating income by business segment (consolidated basis)

For the years ended September 30, 2009 and 2008

(Millions of yen)

	2009		2008		Change	
	Amount	Operating income ratio	Amount	Operating income ratio	Amount	Percentage change
Content distribution business	2,720	10.8%	3,079	14.6%	(359)	-11.7%
Mobile advertising business	(428)	-76.3%	(1,258)	-185.2%	829	—
Total	2,213	8.6%	1,726	8.0%	486	28.2%

Note: Figures are rounded down to the nearest million yen.

The above-listed total segment operating income includes eliminations and corporate [2009: ¥(79) million; 2008: ¥(95) million].

2) Outlook for the year ending September 30, 2010 (From October 1, 2009 to September 30, 2010)

We plan to continue focusing our management resources on the content distribution business in the fiscal year ending September 30, 2010. In addition, we will proactively use advertising and public relations mainly on cost-effective content, including health-related information and full-length song tracks, to further expand the paying subscriber base. With regard to the mobile advertising business, meanwhile, we will strive to establish business foundations while controlling losses from forward investments.

A. Content distribution business

In the area of health-related information content, which has growth potential, we will work to further boost the paying subscriber base by planning sites that reflect the opinions of women—who are main users of this content—as well as rolling out aggressive promotional activities, to further strengthen our leading position in this segment.

In the area of music content, which generates much of MTI's sales and profits, we will endeavor to have more customers become members by acquiring popular music tracks and rolling out our promotional activities. We will also seek to prevent existing customers from cancelling memberships through campaigns to expand the paying subscriber base in the overall music content.

In the area of decorative e-mail services, we will roll out proactive promotional activities toward the year-end and the new year season, when demand is highest, while enhancing the lineup of materials and launching new sites, in an effort to boost the paying subscriber base in the overall category.

In the area of other lifestyle information content, we will conduct aggressive and effective promotional activities in more cost-efficient fields while constantly verifying the ratio of change in promotion efficiency according to site and further boost the number of paying subscribers.

In the area of comic distribution services, for which we expect a market expansion, we will continue to make efforts to enhance the lineup of content and decrease the withdrawal ratio while controlling losses from such forward investments as promotional activities.

B. Mobile advertising business

In the mobile advertising business segment, we will focus our efforts on stimulating use of services by registered members and strengthening the system infrastructure toward enhancing the media values while continuing to control losses from forward investments such as promotional activities.

In the meantime, since it is difficult to significantly boost advertising revenues at the present moment, we will work to improve corporate profitability by establishing a new monetizing mechanism and expanding charge income by guiding free-site members to fee-based MTI sites.

As a result of the above, the earnings forecast for the fiscal year ending September 30, 2010 is as listed below.

Earnings forecast for the first six months of the year ending September 30, 2010

(From October 1, 2009 to March 31, 2010)

Consolidated basis		
Net sales	¥14,500 million	(Increase of 19.5% y-o-y)
Operating income	¥700 million	(Decrease of 16.1% y-o-y)
Ordinary income	¥685 million	(Decrease of 14.6% y-o-y)
Net income	¥380 million	(Decrease of 55.9% y-o-y)

Earnings forecast for the full-year term ending September 30, 2010

(From October 1, 2009 to September 30, 2010)

Consolidated basis		
Net sales	¥30,000 million	(Increase of 16.6% y-o-y)
Operating income	¥3,000 million	(Increase of 35.6% y-o-y)
Ordinary income	¥2,970 million	(Increase of 36.4% y-o-y)
Net income	¥1,720 million	(Increase of 3.0% y-o-y)

(2) Analysis of financial conditions

1) Analysis of financial conditions in the year ended September 30, 2009

a) Assets, liabilities and net assets

Total assets as of September 30, 2009 amounted to ¥12,557 million, an increase of ¥1,798 million from the previous fiscal year-end.

With regard to assets, current assets rose by ¥1,614 million year on year due mainly to increases in accounts receivable-trade and advances, and noncurrent assets rose by ¥183 million owing mainly to an increase in software despite a decrease in investment securities.

With regard to liabilities, current liabilities rose by ¥509 million due primarily to increases in accounts payable-trade and accounts payable-other, despite decreases in accrued income taxes and others, while noncurrent liabilities dropped by ¥132 million owing mainly to the decrease in long-term borrowings despite the increase in reserve for retirement benefits.

The balance of net assets increased by ¥1,421 million as net income of ¥1,669 million was added to net assets.

b) Cash flows

Cash and cash equivalents as of September 30, 2009 amounted to ¥1,532 million, an increase of ¥90 million from the previous fiscal year-end. Cash flows according to activity, and the factors involved, for the fiscal year under review are as follows:

Net cash provided by operating activities resulted in ¥1,740 million, compared with ¥1,449 million for the previous fiscal year, due to cash inflows which included income before income taxes and depreciation, despite cash outflow from an increase in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥1,081 million, compared with ¥1,470 million for the previous fiscal year, due primarily to cash outflows including payments for purchase of intangible assets (mainly of software).

Net cash used in financing activities amounted to ¥551 million, compared with ¥11 million for the previous fiscal year, due to cash outflow factors such as payment for acquisition of treasury stock and repayments of long-term borrowings.

(Reference) Changes in cash flow-related indicators

For the years ended September 30	2005	2006	2007	2008	2009
Equity ratio (%)	60.5	63.6	58.5	49.9	53.7
Equity ratio based on market value (%)	240.3	193.8	136.1	147.6	260.0
Ratio of cash flow to interest-bearing debt (%)	—	31.6	21.6	65.5	40.2
Interest coverage ratio (x)	—	74.4	47.2	63.7	84.8

Equity ratio: equity / total assets

Equity ratio based on market value: market capitalization / total assets

Ratio of cash flow to interest-bearing debt: interest-bearing debt / cash flow from operating activities

Interest coverage ratio: cash flow from operating activities / interest payments

Notes 1: Each indicator is calculated using financial data on a consolidated basis.

2: For cash flow value, cash flow from operating activities in the Consolidated Statements of Cash Flows is used.

3: Interest-bearing debt includes all liabilities listed on the Consolidated Balance Sheet which bear interest. For interest payments, interest expense on the Consolidated Statements of Cash Flows is used.

4: For the year ended September 30, 2005, the ratio of cash flow to interest-bearing debt and interest coverage ratio, which are not listed as cash flow from operating activities, was negative in the period.

2) Financial outlook for the year ending September 30, 2010

a) Assets, liabilities and net assets

Assets, liabilities and net assets as of September 30, 2010 are expected to increase compared with the end of the fiscal year under review.

Regarding assets, total assets are projected to increase due mainly to the increase in accounts receivable-trade.

Regarding liabilities, total liabilities are expected to increase due primarily to the increase in accounts payable-trade.

Regarding net assets, total net assets are projected to increase due to the addition of net income.

b) Cash flows

We expect cash and cash equivalents as of September 30, 2010 to increase compared with the end of the fiscal year under review.

We project that cash flow from operating activities will be positive due mainly to a cash inflow from income before income taxes and despite a cash outflow from an increase in notes accounts receivable-trade.

We expect net cash flow from investing activities to be negative due mainly to payments for the purchases of intangible assets.

We project that net cash flow from financing activities will be negative due primarily to dividend payments.

c) Basic policy regarding profit distribution to shareholders and dividends for the year ended September 30, 2009

MTI places high priority on profit distribution continuously and improving our market equity value through creating and expanding corporate value, and regard them as important issues.

Regarding profit distribution to shareholders, we take into account our basic capital strategy of achieving a well-thought balance between high growth in sales and profits in the medium to long term and returning profits to shareholders. In line with this strategy, we build up internal reserves to provide for aggressive business development while aiming to achieve a payout ratio of 35% of consolidated net income as a medium-term total payout ratio*.

Specifically, we plan to return profits to shareholders through making dividend payments and purchasing treasury stock and maintain stable growth in dividend payments in combination with flexible and timely purchases of treasury stock. We also intend to cancel acquired treasury stock in principle. The details of acquisition and cancellation of treasury stock during the fiscal year under review are as follows:

For the fiscal year under review, we plan to increase the dividend per share by ¥1,000 to ¥2,000, in consideration of our improved business performance, which marked a record high for both consolidated operating income and ordinary income for the fourth consecutive year, and increasing the return in profits to shareholders through dividend payments. As a result, the total payout ratio* for the fiscal year under review was 29.5%.

* The ratio of total dividends paid and purchase of treasury stock to consolidated net income.

Details of the acquisition of treasury stock

Class of shares and the number of shares acquired	Total acquisition cost
Common stock: 2,223 shares	¥223 million

Details of the cancellation of treasury stock

Date of cancellation	Total number of shares cancelled
November 17, 2008	3,193 shares
May 27, 2009	2,223 shares

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2008 and 2009

	Thousands of yen	
	2008	2009
Assets		
Current assets		
Cash and deposits	¥ 1,442,113	¥ 1,532,367
Accounts receivable-trade	5,441,371	6,733,666
Merchandise	1,154	—
Supplies	8,855	6,336
Advances	151,402	318,454
Prepaid expenses	210,863	293,937
Consumption taxes receivable	28,145	—
Deferred tax assets	554,452	658,367
Other	238,845	157,503
Allowance for doubtful accounts	(332,258)	(340,726)
Total current assets	7,744,946	9,359,907
Non-current assets		
Total tangible fixed assets	247,688	213,468
Leasehold improvements	271,657	281,660
Accumulated depreciation	(75,529)	(109,360)
Leasehold improvements, net	196,128	172,299
Tools, furniture and fixtures	154,426	158,847
Accumulated depreciation	(102,866)	(117,678)
Tools, furniture and fixtures, net	51,560	41,168
Intangible assets		
Trademark rights	1,736	2,089
Software	1,049,195	1,338,488
Telephone rights	349	349
Other	5,283	4,326
Total intangible assets	1,056,564	1,345,253
Investments and other assets		
Investment securities	781,698	594,702
Long-term loans	444	150
Leasehold deposits	562,791	593,512
Long-term prepaid expenses	6,725	22,828
Deferred tax assets	330,760	420,902
Other	57,577	23,879
Allowance for doubtful accounts	(17,032)	(9,860)
Allowance for loss on investments	(13,182)	(7,327)
Total investments and other assets	1,709,783	1,638,787
Total non-current assets	3,014,035	3,197,509
Total assets	¥ 10,758,982	¥ 12,557,417

	Thousands of yen	
	2008	2009
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 1,577,043	¥ 1,974,322
Long-term borrowings due within one year	200,196	200,196
Corporate bonds redeemable within one year	50,000	—
Accounts payable-other	766,760	1,123,063
Accrued expenses	338,845	347,788
Accrued income taxes	799,924	432,006
Accrued consumption taxes	113,047	65,959
Advances received	12,014	10,186
Deposits received	35,786	51,338
Allowance for coin usage	628,547	803,064
Reserve for director bonuses	2,611	25,320
Other	537	1,781
Total current liabilities	4,525,313	5,035,027
Non-current liabilities		
Long-term borrowings	699,706	499,510
Reserve for retirement benefits	2,021	120,409
Negative goodwill	104,366	95,248
Other	42,037	141
Total non-current liabilities	848,131	715,309
Total liabilities	5,373,444	5,750,336
Net assets		
Shareholders' equity		
Common stock	2,506,071	2,535,392
Capital surplus	3,016,252	3,045,573
Retained earnings	335,459	1,123,839
Treasury stock	(499,372)	—
Total shareholders' equity	5,358,411	6,704,805
Unrealized gain (loss) and translation adjustment		
Unrealized gain (loss) on available-for-sale securities	10,323	42,897
Total unrealized gain (loss) and translation adjustment	10,323	42,897
Stock acquisition rights	16,802	59,377
Total net assets	5,385,537	6,807,080
Total liabilities and net assets	¥ 10,758,982	¥ 12,557,417

(2) Consolidated Statements of income

For the years ended September 30, 2008 and 2009

	Thousands of yen	
	2008	2009
Net sales	¥ 21,615,089	¥ 25,732,891
Cost of sales	6,286,022	7,920,514
Gross profit	15,329,066	17,812,377
Selling, general and administrative expenses	13,602,546	15,599,263
Operating income	1,726,519	2,213,113
Non-operating income		
Interest income	3,140	447
Dividend income	3,673	3,098
Amortization of negative goodwill	9,117	9,117
Gain on investments in limited partnerships	19,589	—
Other	6,654	6,303
Total non-operating income	42,176	18,966
Non-operating expenses		
Interest expenses	21,766	20,526
Foreign exchange losses	363	—
Equity in losses of affiliates	60,180	1,365
Consumption taxes adjustment	—	25,739
Other	10,821	6,457
Total non-operating expenses	93,132	54,089
Ordinary income	1,675,564	2,177,990
Extraordinary gains		
Reversal of allowance for doubtful accounts	—	26,407
Gain on receipt of donated of fixed assets	32,543	—
Other	—	6
Total extraordinary gains	32,543	26,413
Extraordinary loss		
Loss on retirement of non-current assets	—	100,574
Loss on devaluation of investment securities	261,207	19,185
Allowance for loss on investments	13,182	—
Allowance for doubtful accounts	54,689	—
Retirement benefit expenses	—	89,116
Expenses for content-related information	—	109,245
Other	7,901	15,840
Total extraordinary losses	336,981	333,961
Income before income taxes	1,371,126	1,870,442
Income taxes-current	1,061,640	419,719
Income taxes-deferred	(253,811)	(218,830)
Total income taxes	807,828	200,889
Net income	¥ 563,297	¥ 1,669,553

(3) Consolidated Statements of Changes in Net Assets

For the years ended September 30, 2008 and 2009

	Thousands of yen	
	2008	2009
Shareholders' equity		
Common stock		
Balance at the end of previous period	¥ 2,481,243	¥ 2,506,071
Changes of items during the period		
New share issues	24,828	29,320
Total changes of items during the period	24,828	29,320
Balance at the end of current period	¥ 2,506,071	¥ 2,535,392
Capital surplus		
Balance at the end of previous period	¥ 4,691,424	¥ 3,016,252
Changes of items during the period		
New share issues	24,828	29,320
Cancellation of treasury stock	(1,700,000)	—
Total changes of items during the period	(1,675,171)	29,320
Balance at the end of current period	¥ 3,016,252	¥ 3,045,573
Retained earnings		
Balance at the end of previous period	¥ 913,003	¥ 335,459
Changes of items during the period		
Cash dividends	(104,955)	(135,687)
Net income	563,297	1,669,553
Change of scope of equity method	57,350	—
Change of scope of consolidation	—	(22,128)
Cancellation of treasury stock	(1,093,237)	(723,357)
Total changes of items during the period	(577,544)	788,380
Balance at the end of current period	¥ 335,459	¥ 1,123,839
Treasury stock		
Balance at the end of previous period	¥ (2,536,284)	¥ (499,372)
Changes of items during the period		
Acquisition of treasury stock	(756,325)	(223,985)
Cancellation of treasury stock	2,793,237	723,357
Total changes of items during the period	2,036,912	499,372
Balance at the end of current period	¥ (499,372)	¥ —
Total shareholders' equity		
Balance at the end of previous period	¥ 5,549,388	¥ 5,358,411
Changes of items during the period		
New share issues	49,656	58,640
Cash dividends	(104,955)	(135,687)
Net income	563,297	1,669,553
Change of scope of equity method	57,350	—
Change of scope of consolidation	—	(22,128)
Acquisition of treasury stock	(756,325)	(223,985)
Total changes of items during the period	(190,976)	1,346,393
Balance at the end of current period	¥ 5,358,411	¥ 6,704,805

	Thousands of yen	
	2008	2009
Unrealized gain (loss) and translation adjustment		
Unrealized gain (loss) on available-for-sale securities		
Balance at the end of previous period	¥ (20,255)	¥ 10,323
Changes of items during the period		
Net changes of items other than shareholders' equity	30,578	32,574
Total changes of items during the period	30,578	32,574
Balance at the end of current period	¥ 10,323	¥ 42,897
Total unrealized gain (loss) and translation adjustment		
Balance at the end of previous period	¥ (20,255)	¥ 10,323
Changes of items during the period		
Net changes of items other than shareholders' equity	30,578	32,574
Total changes of items during the period	30,578	32,574
Balance at the end of current period	¥ 10,323	¥ 42,897
Stock acquisition rights		
Balance at the end of previous period	¥ —	¥ 16,802
Changes of items during the period		
Net changes of items other than shareholders' equity	16,802	42,575
Total changes of items during the period	16,802	42,575
Balance at the end of current period	¥ 16,802	¥ 59,377
Total net assets		
Balance at the end of previous period	¥ 5,529,132	¥ 5,385,537
Changes of items during the period		
New share issues	49,656	58,640
Cash dividends	(104,955)	(135,687)
Net income	563,297	1,669,553
Change of scope of equity method	57,350	—
Change of scope of consolidation	—	(22,128)
Acquisition of treasury stock	(756,325)	(223,985)
Net changes of items other than shareholders' equity	47,380	75,149
Total changes of items during the period	(143,595)	1,421,542
Balance at the end of current period	¥ 5,385,537	¥ 6,807,080

(4) Consolidated Statements of Cash Flows

For the years ended September 30, 2008 and 2009

	Thousands of yen	
	2008	2009
Cash flows from operating activities		
Income before income taxes	¥ 1,371,126	¥ 1,870,442
Depreciation and amortization	660,303	872,162
Amortization of negative goodwill	(9,117)	(9,117)
Allowance for doubtful accounts	65,319	1,295
Increase (decrease) in reserve for retirement benefits	—	118,388
Interest and dividends income	(6,814)	(3,545)
Interest expenses	21,766	20,526
Loss on equity investments in affiliates	60,180	1,365
Gain on receipt of donated of fixed assets	(32,543)	—
Allowance for coin usage	286,904	174,516
Loss on retirement of intangible assets	—	100,574
Loss on devaluation of investment securities	261,207	19,185
Loss on investments in limited partnerships	(19,589)	—
Increase in accounts receivable – trade	(561,685)	(1,285,915)
Decrease (increase) in merchandise	(457)	—
Decrease (increase) in supplies	(8,627)	2,479
Decrease (increase) in advances	49,050	(167,052)
Decrease (increase) in prepaid expenses	(66,977)	(77,772)
Decrease (increase) in accounts receivable-other	(39,978)	72,521
Decrease (increase) in payments for other	(5,010)	7,807
Increase (decrease) in notes and accounts payable-trade	85,378	397,278
Increase (decrease) in accounts payable-other	(86,580)	356,233
Increase in consumption taxes payable	29,347	(47,087)
Increase (decrease) in accrued expenses	69,133	9,567
Increase (decrease) in advances received	(7,632)	(1,827)
Increase (decrease) in deposits received	2,079	15,605
Other	91,351	95,571
Subtotal	2,208,133	2,543,205
Interest and dividends income received	6,814	3,545
Interest paid	(22,742)	(20,526)
Income taxes paid	(742,747)	(785,339)
Net cash provided by (used in) operating activities	1,449,459	1,740,885
Cash flows from investing activities		
Purchase of tangible fixed assets	(97,062)	(14,423)
Purchase of intangible fixed assets	(1,038,448)	(1,230,413)
Proceeds from sales of stocks of subsidiaries and affiliates	—	216,000
Increase in loans	(42,750)	—
Collection of loans	5,265	294
Increase in leasehold deposits	(280,380)	(30,720)
Other	(17,244)	(21,922)
Net cash provided by (used in) investing activities	(1,470,620)	(1,081,186)

	Thousands of yen	
	2008	2009
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000,000	—
Repayments of long-term borrowings	(100,098)	(200,196)
Redemption of corporate bonds	(100,000)	(50,000)
Proceeds from issuance of shares	49,656	58,640
Payment for acquisition of treasury stock	(756,325)	(223,985)
Dividends paid	(104,955)	(135,687)
Net cash provided by (used in) financing activities	(11,722)	(551,227)
Net increase (decrease) in cash and cash equivalents	(32,883)	108,471
Cash and cash equivalents at beginning of period	1,474,997	1,442,113
Decrease resulting from elimination of subsidiaries from scope of consolidation	—	(18,217)
Cash and cash equivalents at end of period	¥ 1,442,113	¥ 1,532,367

Notes Concerning Going Concern Assumption

None

(Segment Information)

1. Segment information by business category

For the year ended September 30, 2008 (From October 1, 2007 to September 30, 2008)

	Thousands of yen				
	2008				
	Content distribution business	Mobile advertising business	Total	Eliminations and corporate	Consolidated
I Net sales and operating income					
1 Net sales					
(1) Sales to external customers	¥ 21,024,060	¥ 591,028	¥ 21,615,089	¥ —	¥ 21,615,089
(2) Inter-segment sales and transfers	—	88,327	88,327	(88,327)	—
Total	21,024,060	679,355	21,703,416	(88,327)	21,615,089
2 Operating expenses	17,944,187	1,937,356	19,881,543	7,025	19,888,569
3 Operating income (loss)	¥ 3,079,873	¥ (1,258,000)	¥ 1,821,872	¥ (95,353)	¥ 1,726,519
II Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 7,517,218	¥ 249,615	¥ 7,766,834	¥ 2,992,148	¥ 10,758,982
Depreciation and amortization	398,795	189,920	588,716	71,587	660,303
Capital expenditures	687,160	232,536	919,696	215,814	1,135,511

Notes: Classification of business segments and principal products and services of each segment

- Classification of business segments: Business segments have been classified based on contents and characteristics of services.
- Major products and services of each business segment
 - Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency
 - Mobile advertising business: Mobile content distribution (operation of public sites), advertisement agency
- Operating expenses not allocable to any business segment and included in eliminations and corporate totaled ¥95,353 thousand and mainly consisted of depreciation in the administration divisions.
- Assets under eliminations and corporate included ¥2,992,148 thousand of corporate assets, consisting mainly of surplus funds (cash, deposits and short-term investment securities), long-term investment funds (investment securities), and assets related to the administration divisions.

For the year ended September 30, 2009 (From October 1, 2008 to September 30, 2009)

Thousands of yen

	2009				
	Content distribution business	Mobile advertising business	Total	Eliminations and corporate	Consolidated
I Net sales and operating income					
1 Net sales					
(1) Sales to external customers	¥ 25,264,986	¥ 467,904	¥ 25,732,891	¥ —	¥ 25,732,891
(2) Inter-segment sales and transfers	—	93,556	93,556	(93,556)	—
Total	25,264,986	561,461	25,826,447	(93,556)	25,732,891
2 Operating expenses	22,544,451	989,813	23,534,264	(14,487)	23,519,777
3 Operating income (loss)	¥ 2,720,534	¥ (428,351)	¥ 2,292,182	¥ (79,069)	¥ 2,213,113
II Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 9,283,140	¥ 164,797	¥ 9,447,938	¥ 3,109,478	¥ 12,557,417
Depreciation and amortization	603,432	189,660	793,093	79,069	872,162
Capital expenditures	962,137	89,986	1,052,124	192,712	1,244,837

Notes: Classification of business segments and principal products and services of each segment

1. Classification of business segments: Business segments have been classified based on contents and characteristics of services.
2. Major products and services of each business segment
 Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency
 Mobile advertising business: Mobile content distribution (operation of public sites), advertisement agency
3. Operating expenses not allocable to any business segment and included in eliminations and corporate totaled ¥79,069 thousand and mainly consisted of depreciation in the administration divisions.
4. Assets under eliminations and corporate included ¥3,109,478 thousand of corporate assets, consisting mainly of surplus funds (cash and deposits), long-term investment funds (investment securities and lease deposits), and assets related to the administration divisions.

2. Geographical segment information

For the years ended September 30, 2008 and 2009

There is no applicable information because the Company has no major subsidiaries or branches in countries or regions outside Japan.

3. Overseas sales

For the years ended September 30, 2008 and 2009

There is no applicable information because the Company has no overseas sales.