

## Consolidated Financial Results for the Year Ended September 30, 2010

November 4, 2010

Company name: MTI Ltd.  
 Stock code: 9438  
 Shares listed: Jasadq Securities  
 URL: <http://www.mti.co.jp>  
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Scheduled date of Ordinary General Meeting of Shareholders: December 23, 2010  
 Scheduled date of start of dividend payment: December 24, 2010  
 Scheduled date of filing of Securities Report: December 24, 2010

(Figures less than one million yen are omitted)

### 1. Consolidated Financial Results for the Year Ended September 30, 2010 (From October 1, 2009 to September 30, 2010)

#### (1) Consolidated Operating Results

(Millions of yen except for per share amounts)

(Percentages are shown as year-on-year changes)

	Net sales	Operating income	Ordinary income	Net income
For the year ended September 30, 2010	30,836 (19.8%)	3,131 (41.5%)	3,132 (43.8%)	1,824 (9.3%)
For the year ended September 30, 2009	25,732 (19.1%)	2,213 (28.2%)	2,177 (30.0%)	1,669 (196.4%)

	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, 2010	13,630.48	13,629.91	24.5%	22.7%	10.2%
For the year ended September 30, 2009	12,446.91	12,346.21	27.6%	18.7%	8.6%

(Reference) Equity in earnings of affiliates

Year ended September 30, 2010: 0 million yen

Year ended September 30, 2009: (1) 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, 2010	15,091	8,259	54.0%	60,929.15
As of September 30, 2009	12,557	6,807	53.7%	50,227.79

(Reference) Shareholders' equity

As of September 30, 2010: 8,145 million yen

As of September 30, 2009: 6,747 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, 2010	3,175	(1,004)	(604)	3,099
As of September 30, 2009	1,740	(1,081)	(551)	1,532

### 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, 2009	—	0.00	—	2,000.00	2,000.00	268	16.1%	4.5%
For the year ended September 30, 2010	—	0.00	—	3,500.00	3,500.00	467	25.7%	6.3%
For the year ending September 30, 2011 (Forecast)	—	0.00	—	3,500.00	3,500.00		22.3%	

### 3. Consolidated Forecast for the Year Ending September 30, 2011 (From October 1, 2010 to September 30, 2011)

(Millions of yen except for per share amounts)

(Percentages are shown as year-on-year changes)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
For the six months ending March 31, 2011	16,500 (9.8%)	900 (34.8%)	880 (32.2%)	500 (28.0%)	3,740.05
For the year ending September 30, 2011	33,500 (8.6%)	3,600 (14.9%)	3,560 (13.6%)	2,100 (15.1%)	15,708.22

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: None  
(ii) Other changes: None
- (3) Number of issued shares (common stock)  
(i) Number of issued shares at end of year  
Year ended September 30, 2010: 134,388 shares (including treasury stock)  
Year ended September 30, 2009: 134,342 shares (including treasury stock)  
(ii) Number of treasury shares at end of year  
Year ended September 30, 2010: 700 shares  
Year ended September 30, 2009: — shares

(Reference) Summary of Nonconsolidated Financial Results

Nonconsolidated Financial Results for the Year Ended September 30, 2010 (From October 1, 2009 to September 30, 2010)

(1) Nonconsolidated Operating Results

(Millions of yen except for per share amounts)  
(Percentages are shown as year-on-year changes)

	Net sales	Operating income	Ordinary income	Net income
For the year ended September 30, 2010	30,907 (21.5%)	3,008 (41.8%)	3,076 (45.9%)	1,810 (58.7%)
For the year ended September 30, 2009	25,446 (22.3%)	2,121 (-7.8%)	2,108 (-9.1%)	1,140 (164.4%)

	Net income per share (Yen)	Fully diluted net income per share (Yen)
For the year ended September 30, 2010	13,522.69	13,522.13
For the year ended September 30, 2009	8,503.75	8,434.96

(2) Nonconsolidated 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, 2010	14,661	7,949	53.4%	58,612.68
As of September 30, 2009	12,185	6,510	52.9%	48,018.18

(Reference) Shareholders' equity

As of September 30, 2010: 7,835 million yen As of September 30, 2009: 6,450 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, 2010

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

According to a survey conducted by the Mobile Content Forum, the expansion trend is continuing in the mobile content market, our core business area, with the market growing by 14% year on year to ¥552,500 million in fiscal 2009. This growth is attributable to expansion of entertainment-related and lifestyle information-related contents due to mobile content user age group extension to even middle-age people and seniors, even though the music market, the largest mobile content market, has reached the maturity stage.

In these circumstances, we actively conducted promotional activities to increase the number of paying subscribers, focusing on health-related information and weather information, areas that show growth potential, and the number of paying subscribers for the content distribution business increased to 9.38 million as of the end of September 2010 (an increase of 1.36 million compared to the end of September 2009).

Net sales rose 19.8% year on year to ¥30,836 million, supported by the increase in the number of paying subscribers. Gross profit rose sharply by 25.9% year on year to ¥22,421 million, due to the impact of a revenue increase attendant on expansion of the number of paying subscribers centered on content whose cost of sales ratio is low, such as health-related information and decorative e-mails service.

Operating income rose 41.5% year on year to ¥3,131 million, and ordinary income increased 43.8% to ¥3,132 million, each reaching a record high level for the fifth consecutive year. The growth was on account of a significant rise in gross profit, which offset increases in various expenses such as advertising and public relations expenses, payment of commission, personnel expenses, and outsourcing expenses included under selling, general and administrative expenses. Net income for the fiscal year under review grew to ¥1,824 million, an increase of 9.3% compared with a year earlier, due to an increase in income before income taxes, despite extraordinary losses of ¥188 million from items including loss on retirement of non-current assets and loss on valuation of investment securities.

In addition, there was a special factor in the previous fiscal year: a decrease in tax payment accompanying completion of the merger with consolidated subsidiary comic.jp, inc.

#### Consolidated operating results

(Millions of yen)

	Year ended September 30, 2010	Year ended September 30, 2009	Change	
			Amount	Percentage change
Net sales	30,836	25,732	5,103	19.8%
Gross profit	22,421	17,812	4,609	25.9%
Operating income	3,131	2,213	918	41.5%
Ordinary income	3,132	2,177	954	43.8%
Net income	1,824	1,669	155	9.3%

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

### Overview by business segment

#### A. Content distribution business

In the area of music content, we focused our efforts on acquiring popular music tracks and conducting cost-effective promotions and were able to maintain the number of paying subscribers for the category as a whole.

Regarding health-related information services, by actively conducting promotions using television commercials and other means and enhancing services by means including the addition of a diet supporting feature, we were able to substantially increase the number of paying subscribers.

Regarding weather information, we achieved a considerable expansion in the number of paying subscribers by conducting effective promotions, and started a premium member service to increase revenue

per customer.

In the area of decorative e-mail services, we increased the number of paying subscribers through active promotions during the peak demand season such as year end and New Year and expansion of our pictographic site.

As a result of the above, the weather information and decorative e-mail services have developed into sites with the number of paying subscribers exceeding a million members, following the music and health-related information services in paying subscriber base size, and the number of paying subscribers increased to 9.38 million as of the end of September 2010 (an increase of 1.36 million compared to the end of September 2009). Net sales rose 20.7% year on year to ¥30,495 million, and operating income rose 34.6% year on year to ¥3,661 million.

## B. Mobile advertising business

We worked to stimulate use of services by registered members while minimizing losses of prior investment. As a result, the number of registered members as of the end of September 2010 reached 4.44 million (an increase of 0.21 million compared to the end of September 2009). Net sales in this business amounted to ¥510 million, down 9.1% from a year earlier, and operating loss was ¥369 million, compared with a loss of ¥428 million as of the end of September 2009.

### Net sales by business segment (consolidated basis) For the years ended September 30, 2010 and 2009

(Millions of yen)

	Year ended September 30, 2010		Year ended September 30, 2009		Change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Percentage change
Content distribution business	30,495	98.9%	25,264	98.2%	5,230	20.7%
Mobile advertising business	510	1.7%	561	2.2%	(50)	-9.1%
Total	30,836	100.0%	25,732	100.0%	5,103	19.8%

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

The above-listed total segment net sales include eliminations and corporate [2010: ¥(169) million; 2009: ¥(93) million].

### Operating income by business segment (consolidated basis) For the years ended September 30, 2010 and 2009

(Millions of yen)

	Year ended September 30, 2010		Year ended September 30, 2009		Change	
	Amount	Operating income ratio	Amount	Operating income ratio	Amount	Percentage change
Content distribution business	3,661	12.0%	2,720	10.8%	940	34.6%
Mobile advertising business	(369)	-72.3%	(428)	-76.3%	58	-
Total	3,131	10.2%	2,213	8.6%	918	41.5%

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

The above-listed total segment operating income include eliminations and corporate [2010: ¥(159) million; 2009: ¥(79) million].

## 2) Outlook for the year ending September 30, 2011 (From October 1, 2010 to September 30, 2011)

The transition from mobile phones to smartphones is expected to progress, and we believe that this transition will bring about a major turning point for our business. For this reason, in the year ending September 30, 2011, we will focus on reinforcement of profitability to enable us to respond to changes in the business environment in addition to expansion of existing businesses. Our policy is to engage in activities to establish new growth businesses in parallel with existing businesses.

In the area of music content, which accounts for much of our net sales and profits, we will work to increase share in a mature market by increasing the number of paying subscribers; we will endeavor to have more customers become members by acquiring popular music tracks and conducting effective promotions while at the same time preventing existing customers from cancelling memberships by increasing customer satisfaction through campaigns and other promotional activities.

In the area of health-related information, which continues to show growth potential, we will work to further expand the number of paying subscribers through effective promotions. Our policy is to position this business as a source of stable profits second in importance to the music content business and to further reinforce profitability by enhancing high value-added services that reflect the needs of women.

In other content as well, we will actively conduct promotions in more highly efficient fields to further expand the number of paying subscribers while constantly verifying the impact of each promotion leading to subscription by the percentage change.

In response to the transition from mobile phones to smartphones, we will launch new services and proceed with multilingualization while closely watching the state of transition and consider effective promotion methods.

Furthermore, we will establish the business for the *log-tomo* social networking site with a view to medium-term growth. Since a successful start-up of *log-tomo* will make possible high-margin business operation and can contribute to profit expansion for MTI as whole, by getting subscriptions to our official web site via *log-tomo*, we consider expansion of *log-tomo* to be essential to the continuous expansion of our overall net sales and profits.

To ensure the site's success, we will offer new services such as social games and develop new monetizing mechanisms such as item charges to stimulate use by registered members and build the business while verifying the effectiveness of these measures.

As a result of the above, the earnings forecast for the fiscal year ending September 30, 2011 is as follows.

### Earnings forecast for the first six months of the year ending September 30, 2011

(From October 1, 2010 to March 31, 2011)

Consolidated basis		
Net sales	¥16,500 million	(Increase of 9.8% y-o-y)
Operating income	¥900 million	(Increase of 34.8% y-o-y)
Ordinary income	¥880 million	(Increase of 32.2% y-o-y)
Net income	¥500 million	(Increase of 28.0% y-o-y)

### Earnings forecast for the full-year term ending September 30, 2011

(From October 1, 2010 to September 30, 2011)

Consolidated basis		
Net sales	¥33,500 million	(Increase of 8.6% y-o-y)
Operating income	¥3,600 million	(Increase of 14.9% y-o-y)
Ordinary income	¥3,560 million	(Increase of 13.6% y-o-y)
Net income	¥2,100 million	(Increase of 15.1% y-o-y)

## (2) Analysis of financial conditions

### 1) Analysis of financial conditions in the year ended September 30, 2010

#### a) Assets, liabilities and net assets

Total assets as of September 30, 2010 amounted to ¥15,091 million, an increase of ¥2,533 million from the previous fiscal year-end.

With regard to assets, current assets rose by ¥2,512 million, mainly due to increases in cash and deposits and accounts receivable-trade, and non-current assets rose by ¥21 million, due mainly to increases in software and deferred tax assets despite a decrease in investment securities.

With regard to liabilities, current liabilities rose by ¥1,252 million, due primarily to increases in accrued income taxes and accounts payable-other, while non-current liabilities dropped by ¥170 million, owing mainly to a decrease in long-term borrowings.

Net assets increased by ¥1,452 million due to the recording of ¥1,824 million in net income, despite acquisition of treasury stock and cash dividends.

#### b) Cash flows

Cash and cash equivalents as of September 30, 2010 amounted to ¥3,099 million, an increase of ¥1,566 million from the previous fiscal year-end. Cash flows and factors affecting cash flows in the fiscal year under review are as follows.

Net cash provided by operating activities resulted in ¥3,175 million, compared with ¥1,740 million for the previous fiscal year, due to cash inflows that included income before income taxes and depreciation and amortization, despite cash outflows from an increase in accounts receivable-trade and income taxes paid.

Net cash used in investing activities amounted to ¥1,004 million, compared with ¥1,081 million for the previous fiscal year, primarily due to cash outflows including payment for purchase of intangible fixed assets (mainly software), despite a cash inflow from sales of investment securities.

Net cash used in financing activities amounted to ¥604 million, compared with ¥551 million for the previous fiscal year, due to cash outflows from cash dividends, repayments of long-term borrowings, and acquisition of treasury stock.

#### (Reference) Changes in cash flow-related indicators

For the years ended September 30	2006	2007	2008	2009	2010
Equity ratio (%)	63.6	58.5	49.9	53.7	54.0
Equity ratio based on market value (%)	193.8	136.1	147.6	260.0	94.0
Ratio of cash flow to interest-bearing debt (%)	31.6	21.6	65.5	40.2	15.7
Interest coverage ratio (x)	74.4	47.2	63.7	84.8	182.7

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 that bear interest. For interest payments, interest expense on the Consolidated Statements of Cash Flows is used.

## 2) Financial outlook for the year ending September 30, 2011

### a) Assets, liabilities and net assets

Assets, liabilities and net assets as of September 30, 2011 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 an increase in accounts receivable-trade.

Regarding liabilities, total liabilities are expected to increase due primarily to increases in accounts payable-trade and accrued income taxes.

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

### b) Cash flows

We expect cash and cash equivalents as of September 30, 2011 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 cash inflows from income before income taxes and depreciation and amortization, despite cash outflows from factors including an increase in accounts receivable-trade and income taxes paid.

We expect net cash flow from investing activities to be negative due mainly to purchase of intangible fixed assets.

We project that net cash flow from financing activities will be negative due primarily to cash dividends and repayments of long-term borrowings.

## (3) Basic policy regarding profit distribution to shareholders and dividends for the year ended September 30, 2010

MTI regards continuously increasing total market value through the creation and expansion of corporate value and distributing profits to shareholders as an important priority.

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

For the fiscal year under review, we plan to increase the dividend per share by ¥1,500 to ¥3,500, in consideration of the achievement of record high consolidated operating income and ordinary income for the fifth consecutive year and to increase the return of profits to shareholders through dividends. As a result, the total payout ratio for the fiscal year under review is 36.1%.

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

Total dividends paid (1)	Total payment for acquisition of treasury stock (2)	Net income (3)	Total payout ratio [(1)+(2)] / (3)
¥268 million	¥190 million	¥1,824 million	36.1%

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

As of September 30, 2009 and 2010

	Thousands of yen	
	2009	2010
<b>Assets</b>		
Current assets		
Cash and deposits	¥ 1,532,367	¥ 3,099,008
Accounts receivable-trade	6,733,666	7,669,115
Supplies	6,336	—
Advances	318,454	190,024
Prepaid expenses	293,937	259,783
Accounts receivable-other	—	168,418
Deferred tax assets	658,367	789,718
Other	157,503	29,526
Allowance for doubtful accounts	(340,726)	(333,355)
Total current assets	9,359,907	11,872,239
Non-current assets		
Tangible fixed assets		
Leasehold improvements	281,660	283,027
Accumulated depreciation	(109,360)	(137,729)
Leasehold improvements, net	172,299	145,297
Tools, furniture and fixtures	158,847	192,253
Accumulated depreciation	(117,678)	(108,458)
Tools, furniture and fixtures, net	41,168	83,795
Total tangible fixed assets	213,468	229,093
Intangible assets		
Trademark rights	2,089	—
Software	1,338,488	1,511,065
Telephone rights	349	—
Other	4,326	11,439
Total intangible assets	1,345,253	1,522,504
Investments and other assets		
Investment securities	594,702	324,413
Long-term loans	150	—
Leasehold deposits	593,512	594,264
Long-term prepaid expenses	22,828	—
Deferred tax assets	420,902	508,979
Other	23,879	50,298
Allowance for doubtful accounts	(9,860)	(10,402)
Allowance for loss on investments	(7,327)	—
Total investments and other assets	1,638,787	1,467,553
Total non-current assets	3,197,509	3,219,151
Total assets	¥ 12,557,417	¥ 15,091,391



	Thousands of yen	
	2009	2010
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	¥ 1,974,322	¥ 1,979,920
Long-term borrowings due within one year	200,196	200,196
Accounts payable-other	1,123,063	1,359,546
Accrued expenses	347,788	408,905
Accrued income taxes	432,006	1,248,988
Accrued consumption taxes	65,959	129,067
Advances received	10,186	—
Deposits received	51,338	—
Allowance for coin usage	803,064	869,627
Reserve for director bonuses	25,320	23,652
Other	1,781	67,604
Total current liabilities	5,035,027	6,287,509
Non-current liabilities		
Long-term borrowings	499,510	299,314
Reserve for retirement benefits	120,409	158,934
Negative goodwill	95,248	86,130
Other	141	141
Total non-current liabilities	715,309	544,520
Total liabilities	5,750,336	6,832,029
<b>Net assets</b>		
Shareholders' equity		
Common stock	2,535,392	2,562,740
Capital surplus	3,045,573	3,072,920
Retained earnings	1,123,839	2,580,485
Treasury stock	—	(90,624)
Total shareholders' equity	6,704,805	8,125,522
Unrealized gain and translation adjustment		
Unrealized gain on available-for-sale securities	42,897	21,564
Translation adjustment	—	(1,590)
Total unrealized gain and translation adjustment	42,897	19,973
Stock acquisition rights	59,377	113,865
Total net assets	6,807,080	8,259,361
Total liabilities and net assets	¥ 12,557,417	¥ 15,091,391

## (2) Consolidated Statements of income

For the years ended September 30, 2009 and 2010

	Thousands of yen	
	2009	2010
Net sales	¥ 25,732,891	¥ 30,836,621
Cost of sales	7,920,514	8,415,026
Gross profit	17,812,377	22,421,594
Selling, general and administrative expenses	15,599,263	19,289,697
Operating income	2,213,113	3,131,896
Non-operating income		
Interest income	447	116
Dividends income	3,098	3,683
Amortization of negative goodwill	9,117	9,117
Equity in gain of affiliates	—	116
Other	6,303	10,302
Total non-operating income	18,966	23,336
Non-operating expenses		
Interest expenses	20,526	17,379
Equity in loss of affiliates	1,365	—
Consumption taxes adjustment	25,739	—
Other	6,457	5,188
Total non-operating expenses	54,089	22,567
Ordinary income	2,177,990	3,132,665
Extraordinary gains		
Gain on sales of investment securities	—	103,198
Reversal of allowance for doubtful accounts	26,407	—
Other	6	7,732
Total extraordinary gains	26,413	110,930
Extraordinary losses		
Loss on retirement of non-current assets	100,574	70,791
Loss on devaluation of investment securities	19,185	62,103
Loss on cancellation of lease contracts	—	55,768
Retirement benefit expenses	89,116	—
Expenses for content-related information	109,245	—
Other	15,840	—
Total extraordinary losses	333,961	188,664
Income before income taxes	1,870,442	3,054,931
Income taxes-current	419,719	1,434,800
Income taxes-deferred	(218,830)	(204,785)
Total income taxes	200,889	1,230,014
Net income	¥ 1,669,553	¥ 1,824,916

### (3) Consolidated Statements of Changes in Net Assets

For the year ended September 30, 2009

	Thousands of yen				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at September 30, 2008	¥ 2,506,071	¥ 3,016,252	¥ 335,459	¥ (499,372)	¥ 5,358,411
Changes during the fiscal year					
New share issuance	29,320	29,320			58,640
Cash dividends			(135,687)		(135,687)
Net income			1,669,553		1,669,553
Change in scope of consolidation			(22,128)		(22,128)
Acquisition of treasury stock				(223,985)	(223,985)
Cancellation of treasury stock			(723,357)	723,357	—
Net change in items other than shareholders' equity					
<b>Total changes during the fiscal year</b>	<b>29,320</b>	<b>29,320</b>	<b>788,380</b>	<b>499,372</b>	<b>1,346,393</b>
Balance at September 30, 2009	¥ 2,535,392	¥ 3,045,573	¥ 1,123,839	—	¥ 6,704,805
	Unrealized gain (loss) and translation adjustment		Stock acquisition rights	Total net assets	
	Unrealized gain (loss) on available-for sale securities	Total unrealized gain (loss) and translation adjustment			
Balance at September 30, 2008	¥ 10,323	¥ 10,323	¥ 16,802	¥ 5,385,537	
Changes during the fiscal year					
New share issuance				58,640	
Cash dividends				(135,687)	
Net income				1,669,553	
Change in scope of consolidation				(22,128)	
Acquisition of treasury stock				(223,985)	
Cancellation of treasury stock				—	
Net change in items other than shareholders' equity	32,574	32,574	42,575	75,149	
<b>Total changes during the fiscal year</b>	<b>32,574</b>	<b>32,574</b>	<b>42,575</b>	<b>1,421,542</b>	
Balance at September 30, 2009	¥ 42,897	¥ 42,897	¥ 59,377	¥ 6,807,080	

For the year ended September 30, 2010

Thousands of yen					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at September 30, 2009	¥ 2,535,392	¥ 3,045,573	¥ 1,123,839	—	¥ 6,704,805
Changes during the fiscal year					
New share issuance	27,347	27,347			54,695
Cash dividends			(268,684)		(268,684)
Net income			1,824,916		1,824,916
Acquisition of treasury stock				(190,211)	(190,211)
Cancellation of treasury stock			(99,587)	99,587	—
Net change in items other than shareholders' equity					
<b>Total changes during the fiscal year</b>	<b>27,347</b>	<b>27,347</b>	<b>1,456,645</b>	<b>(90,624)</b>	<b>1,420,717</b>
Balance at September 30, 2010	¥ 2,562,740	¥ 3,072,920	¥ 2,580,485	¥ (90,624)	¥ 8,125,522
Unrealized gain (loss) and translation adjustment					
	Unrealized gain (loss) on available-for sale securities	Translation adjustment	Total unrealized gain (loss) and translation adjustment	Stock acquisition rights	Total net assets
Balance at September 30, 2009	¥ 42,897	—	¥ 42,897	¥ 59,377	¥ 6,807,080
Changes during the fiscal year					
New share issuance					54,695
Cash dividends					(268,684)
Net income					1,824,916
Acquisition of treasury stock					(190,211)
Cancellation of treasury stock					—
Net change in items other than shareholders' equity	(21,332)	(1,590)	(22,923)	54,487	31,564
<b>Total changes during the fiscal year</b>	<b>(21,332)</b>	<b>(1,590)</b>	<b>(22,923)</b>	<b>54,487</b>	<b>1,452,281</b>
Balance at September 30, 2010	¥ 21,564	¥ (1,590)	¥ 19,973	¥ 113,865	¥ 8,259,361

#### (4) Consolidated Statements of Cash Flows

For the years ended September 30, 2009 and 2010

	Thousands of yen	
	2009	2010
Cash flows from operating activities		
Income before income taxes	¥ 1,870,442	¥ 3,054,931
Depreciation and amortization	872,162	914,344
Amortization of negative goodwill	(9,117)	(9,117)
Allowance for doubtful accounts	1,295	(3,700)
Allowance for coin usage	174,516	66,562
Increase in reserve for retirement benefits	118,388	38,524
Interest and dividends income	(3,545)	(3,799)
Interest expenses	20,526	17,379
Equity in loss (gain) of affiliates	1,365	(116)
Loss on retirement of non-current assets	100,574	70,791
Gain on sales of investment securities	—	(103,198)
Loss on devaluation of investment securities	19,185	62,103
Increase in accounts receivable - trade	(1,285,915)	(935,449)
Decrease in supplies	2,479	—
Decrease (increase) in advances	(167,052)	128,429
Decrease (increase) in prepaid expenses	(77,772)	34,154
Decrease (increase) in accounts receivable-other	72,521	(16,745)
Increase in accounts payable-trade	397,278	5,597
Increase in accounts payable-other	356,233	236,483
Increase in accrued expenses	9,567	61,117
Increase (decrease) in accrued consumption taxes	(47,087)	63,107
Decrease in advances received	(1,827)	—
Increase in deposits received	15,605	—
Other	103,379	58,293
Subtotal	2,543,205	3,739,696
Interest and dividends income received	3,545	79,383
Interest paid	(20,526)	(17,379)
Income taxes paid	(785,339)	(626,221)
Net cash provided by (used in) operating activities	1,740,885	3,175,478
Cash flows from investing activities		
Purchase of tangible fixed assets	(14,423)	(61,805)
Purchase of intangible fixed assets	(1,230,413)	(1,117,675)
Payment for acquisition of investment securities	—	(44,057)
Proceeds from sales of investment securities	216,000	236,200
Collection of loans	294	—
Increase in leasehold deposits	(30,720)	—
Other	(21,922)	(17,103)
Net cash provided by (used in) investing activities	(1,081,186)	(1,004,442)

	Thousands of yen	
	2009	2010
Cash flows from financing activities		
Repayments of long-term borrowings	(200,196)	(200,196)
Redemption of corporate bonds	(50,000)	—
Proceeds from issuance of shares	58,640	54,695
Payment for acquisition of treasury stock	(223,985)	(190,211)
Dividends paid	(135,687)	(268,684)
Net cash provided by (used in) financing activities	(551,227)	(604,395)
Net increase (decrease) in cash and cash equivalents	108,471	1,566,640
Cash and cash equivalents at beginning of period	1,442,113	1,532,367
Decrease resulting from elimination of subsidiaries from scope of consolidation	(18,217)	—
Cash and cash equivalents at end of period	¥ 1,532,367	¥ 3,099,008

(Segment Information)

1. Segment information by business category

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.

For the year ended September 30, 2010 (From October 1, 2009 to September 30, 2010)

Thousands of yen

	2010				
	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	¥ 30,481,558	¥ 355,062	¥ 30,836,621	¥ —	¥ 30,836,621
(2) Inter-segment sales and transfers	13,900	155,498	169,399	(169,399)	—
Total	30,495,459	510,560	31,006,020	(169,399)	30,836,621
2 Operating expenses	26,834,311	879,940	27,714,252	(9,528)	27,704,724
3 Operating income (loss)	¥ 3,661,148	¥ (369,380)	¥ 3,291,767	¥ (159,870)	¥ 3,131,896
II Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 10,297,226	¥ 184,511	¥ 10,481,738	¥ 4,609,652	¥ 15,091,391
Depreciation and amortization	706,594	108,362	814,957	99,387	914,344
Capital expenditures	707,208	154,459	861,668	317,813	1,179,481

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 ¥159,870 thousand and mainly consisted of depreciation in the administration divisions.
4. Assets under eliminations and corporate included ¥4,609,652 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, 2009 and 2010

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, 2009 and 2010

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