

## Consolidated Financial Results for the Year Ended September 30, 2011

November 1, 2011

Company name: MTI Ltd.  
 Stock code: 9438

Shares listed: Jasdq Securities  
 URL: <http://www.mti.co.jp>  
 Representative: Toshihiro Maeta, President and Chief Executive Officer  
 Hiroshi Matsumoto, Director, Corporate Support Division  
 For further information please contact: TEL: +81-3-5333-6323

Scheduled date of Ordinary General Meeting of Shareholders: December 23, 2011  
 Scheduled date of start of dividend payment: December 26, 2011  
 Scheduled date of filing of Securities Report: December 26, 2011

(Figures less than one million yen are omitted)

### 1. Consolidated Financial Results for the Year Ended September 30, 2011 (From October 1, 2010 to September 30, 2011)

#### (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, 2011	32,342	3,702	3,692	1,797
	(4.9%)	(18.2%)	(17.9%)	(-1.5%)
For the year ended September 30, 2010	30,836	3,131	3,132	1,824
	(19.8%)	(41.5%)	(43.8%)	(9.3%)

#### (Note) Comprehensive Income

Year ended September 30, 2011: 1,776 million yen (-1.4%) Year ended September 30, 2010: 1,801 million yen (—)

	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, 2011	13,447.41	—	20.4%	23.8%	11.4%
For the year ended September 30, 2010	13,630.48	13,629.91	24.5%	22.7%	10.2%

#### (Reference) Equity in earnings of affiliates

Year ended September 30, 2011: (12) million yen Year ended September 30, 2010: 0 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, 2011	15,881	9,670	59.7%	70,973.21
As of September 30, 2010	15,091	8,259	54.0%	60,929.15

#### (Reference) Shareholders' equity

As of September 30, 2011: 9,488 million yen As of September 30, 2010: 8,145 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, 2011	2,986	(2,417)	(619)	3,108
As of September 30, 2010	3,175	(1,004)	(604)	3,099

### 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, 2010	—	0.00	—	3,500.00	2,000.00	467	25.7%	6.3%
For the year ended September 30, 2011	—	0.00	—	4,000.00	4,000.00	534	29.7%	6.1%
For the year ended September 30, 2012 (Forecast)	—	0.00	—	4,000.00	4,000.00		41.1%	

### 3. Consolidated Forecast for the Year Ended 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 ended March 31, 2012	15,600	900	890	300	2,244.03
	(-4.5%)	(-49.4%)	(-49.6%)	(-67.5%)	
For the year ended September 30, 2012	32,500	2,700	2,680	1,300	9,724.13
	(0.5%)	(-27.1%)	(-27.4%)	(-27.7%)	

4. Others

(1) Changes of significant subsidiaries during the fiscal year

(including changes of specified subsidiaries resulting in change in scope of consolidation): Yes

Newly consolidated: Jibe Mobile K.K.

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: None

(3) Number of issued shares (common stock)

(i) Number of shares issued at end of year  
(including treasury stock)

As of September 30, 2011	133,688 shares	As of September 30, 2010	134,388 shares
As of September 30, 2011	— shares	As of September 30, 2010	700 shares
For the fiscal year ended September 30, 2011	133,688 shares	For the fiscal year ended September 30, 2010	133,885 shares

(ii) Number of treasury stock at end of year

(iii) Weighted average number of shares

(Reference) Summary of Nonconsolidated Financial Results

Nonconsolidated Financial Results for the Year Ended September 30, 2011 (From October 1, 2010 to September 30, 2011)

(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, 2011	32,023 (3.6%)	4,004 (33.1%)	3,997 (29.9%)	2,275 (25.7%)
For the year ended September 30, 2010	30,907 (21.5%)	3,008 (41.8%)	3,076 (45.9%)	1,810 (58.7%)

	Net income per share (Yen)	Fully diluted net income per share (Yen)
For the year ended September 30, 2011	17,022.89	—
For the year ended September 30, 2010	13,522.69	13,522.13

(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, 2011	15,572	9,811	62.0%	72,168.19
As of September 30, 2010	14,661	7,949	53.4%	58,612.68

(Reference) Shareholders' equity

As of September 30, 2011: 9,648 million yen

As of September 30, 2010: 7,835 million yen

Indication of audit procedure implementation status

This earnings report is not subject to audit procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, audit procedures based upon the Financial Instruments and Exchange Act, have not been completed.

Explanation for Appropriate Use of Forecasts and Other Notes

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. Please refer to P.4“2) Outlook for the year ended September 30, 2012” of the Attachment for the assumptions used and other notes.

## 1 Operating results

### (1) Analysis of operating results

#### 1) Operating results for the year ended September 30, 2011 (From October 1, 2010 to September 30, 2011)

In a development in the mobile phone market, our core business area, smartphone unit shipments in the year ended September 30, 2011 increased to 8.55 million units (approx. 3.7 times the previous year level). Smartphones accounted for 22.7% of total mobile phone shipments (compared to 6.8% the previous year), and further distribution of smartphone handsets is expected.<sup>1</sup>

In view of the above development, MTI anticipated rapid expansion of the mobile content market for smartphones and focused effort on offering smartphone services ahead of competitors.

In the area of music content, in addition to acquiring music for distribution to smartphone service subscribers, we launched a new on-demand streaming distribution service.

In health-related information, we ran television commercials appealing to smartphone users and facilitated an environment that enabled users to continue to use accumulated data even when they migrate from feature phones to smartphones.

As a result, the number of paying subscribers for smartphone services as of September 30, 2011 steadily increased to 0.73 million (an increase of 0.73 million compared to September 30, 2010).

Meanwhile, in services for feature phones, although we actively conducted promotional activities using fortune telling and decorative e-mail services during the year end and New Year peak demand season and succeeded in increasing the number of paying subscribers, the decline in the number of paying subscribers continued, due to the impact of migration from feature phones to smartphones, resulting in a paying subscriber base of 8.21 million as of September 30, 2011 (a decrease of 1.17 million compared to September 30, 2010).

Consequently, since the increase in the number of paying subscribers for smartphone services failed to offset the decrease in the number of paying subscribers for feature phone services, the total number of paying subscribers on September 30, 2011 was 8.94 million (a decrease of 0.44 million compared to September 30, 2010).

Net sales rose by 4.9% year on year to ¥32,342 million, supported by an increase in the number of paying subscribers up to the second quarter. Gross profit rose by 10.5% year on year to ¥24,770 million, owing to the impact of the increase in revenue and a decrease in the cost of sales ratio accompanying a decline in the number of music content downloads and increased subscribers of health-related information and other services with low cost of sales ratios.

Operating income rose by 18.2% to ¥3,702 million, and ordinary income rose by 17.9% to ¥3,692 million, each reaching a record-high level for the sixth consecutive year. The increases are attributable to the increase in gross profit, which offset higher selling, general and administrative expenses, principally personnel expenses and outsourcing expenses, and an increase in depreciation and amortization.

Net income was ¥1,797 million (a decrease of 1.5% compared with the previous year) despite an increase in income before income taxes, as losses at consolidated subsidiary companies continued and the effective income tax rate increased.

<sup>1</sup>Source: MM Research Institute, Ltd.

#### Consolidated operating results

(Millions of yen)

	Year ended September 30, 2011	Year ended September 30, 2010	Change	
			Amount	Percentage change
Net sales	32,342	30,836	1,505	4.9%
Gross profit	24,770	22,421	2,348	10.5%
Operating income	3,702	3,131	570	18.2%
Ordinary income	3,692	3,132	559	17.9%
Net income	1,797	1,824	(27)	-1.5%

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

## 2) Outlook for the year ended September 30, 2012 (From October 1, 2011 to September 30, 2012)

In the environment surrounding the mobile content market, migration from feature phones to smartphones will accelerate and services for feature phones will mature. Meanwhile, smartphone services are thought to have entered a period of rapid expansion. The Company will quickly embrace this environmental change as a business opportunity and actively provide smartphone services.

In the fiscal year under review, we introduced services for smartphones ahead of competitors, developing and introducing a comprehensive range of services. For instance, we promptly introduced services for the Windows® Phone, launched in August 2011, and launched *puzzlun*, a puzzle game for smartphones, and *yomel.jp*, an e-book service.

In the fiscal year ended September 30, 2012, we will continue to actively undertake expansion of the subscriber base for smartphones in our main content service brands, such as *music.jp*®, *Luna-Luna*, and *soradas*, and work to further increase customer satisfaction by adding new functions and services, incorporating a rich array of social networking features.

In addition, we will actively work to create business opportunities through the development of new services distinctive to smartphones.

With regard to *mopita*®, our original payment system, we expanded and upgraded payment methods. In addition, thanks to the launch of *mopita market*, which carries applications for smartphones and Web services, the number of registered IDs steadily rose to exceed the one-million ID milestone as a result of expansion of the number of services for which *mopita* is available.

In the fiscal year ended September 30, 2012, we will strive to further increase the number of registered IDs and work to develop *mopita market* into a new vehicle for promoting subscriptions

For the aforementioned reasons, in the fiscal year ended September 30, 2012, although we anticipate a decrease in revenue from feature phone services, we expect the full-scale start-up of smartphone services, resulting in sales at nearly the prior year level net sales of 32,500 million yen, up 0.5% year on year. With regard to profit and loss, since we anticipate higher personnel expenses, notably due to an increase in marketing and development personnel to engage in active investment in smartphone services, and higher smartphone service development expenses, following investments in services for smartphones. As a result, we forecast operating income of 2,700 million yen and net income of 1,300 million yen, down 27.1% and 27.7%, respectively.

\*Windows is a registered trademark of Microsoft Corporation in the United States, Japan, and other countries.

\**music.jp* is a registered trademark of MTI Ltd.

\**mopita* is a registered trademark of MTI Ltd.

### Earnings forecast for the first six months of the year ended September 30, 2012

(From October 1, 2011 to March 31, 2012)

Consolidated		
Net sales	¥15,600 million	(Decrease of 4.5% y-o-y)
Operating income	¥900 million	(Decrease of 49.4% y-o-y)
Ordinary income	¥890 million	(Decrease of 49.6% y-o-y)
Net income	¥300 million	(Decrease of 67.5% y-o-y)

### Earnings forecast for the full-year term ended September 30, 2012

(From October 1, 2011 to September 30, 2012)

Consolidated		
Net sales	¥32,500 million	(Increase of 0.5% y-o-y)
Operating income	¥2,700 million	(Decrease of 27.1% y-o-y)
Ordinary income	¥2,680 million	(Decrease of 27.4% y-o-y)
Net income	¥1,300 million	(Decrease of 27.7% y-o-y)

## (2) Analysis of financial condition

### 1) Analysis of financial condition in the year ended September 30, 2011

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

Total assets as of September 30, 2011 were ¥15,881 million, an increase of ¥790 million from September 30, 2010.

Current assets fell by ¥401 million, mainly due to decreases in deferred tax assets and advances.

Non-current assets rose by ¥1,192 million, mainly due to increases in software, goodwill, and investment securities.

Current liabilities fell by ¥661 million, mainly due to decreases in accounts payable-trade, allowance for coin usage, and accrued income taxes. Non-current liabilities rose by ¥39 million, mainly due to increases in long-term accounts payable and reserve for retirement benefits, despite a decrease in long-term borrowings.

Net assets increased by ¥1,411 million due to the recording of ¥1,797 million in net income.

#### b) Cash flows

Cash and cash equivalents as of September 30, 2011 totaled ¥3,108 million, an increase of ¥9 million from September 30, 2010. Cash flows and factors affecting cash flows in the fiscal year under review are as follows.

Net cash provided by operating activities was ¥2,986 million, compared with ¥3,175 million for the previous fiscal year. The principal cash inflow items were income before income taxes and depreciation and amortization, which offset cash outflows for income taxes paid and a decrease in accounts payable-trade.

Net cash provided by investing activities was ¥2,417 million, compared with ¥1,004 million for the previous fiscal year, principally due to purchase of intangible fixed assets (mainly software), despite cash inflows from collection of leasehold deposits.

Net cash provided by financing activities was ¥619 million, compared with ¥604 million for the previous fiscal year, due to factors including dividends paid and repayment of long-term borrowings.

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

For the years ended September 30	2007	2008	2009	2010	2011
Equity ratio (%)	58.5	49.9	53.7	54.0	59.7
Equity ratio based on market value (%)	136.1	147.6	260.0	94.0	84.1
Ratio of cash flow to interest-bearing debt (%)	21.6	65.5	40.2	15.7	12.1
Interest coverage ratio (x)	47.2	63.7	84.8	182.7	219.0

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 / net cash provided by operating activities

Interest coverage ratio: net cash provided by operating activities / interest payments

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

2. For cash flow value, net cash provided by 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 ended September 30, 2012

### a) Assets, liabilities and net assets

Assets as of September 30, 2012 are expected to remain at the same level as at the end of the fiscal year under review.

Regarding liabilities, total liabilities are expected to decrease due mainly to a decrease in long-term borrowings.

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, 2012 to increase compared with the end of the fiscal year under review.

We project that net cash provided by 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 income taxes paid.

We expect net cash provided by investing activities to be negative due mainly to the purchase of intangible fixed assets.

We project that net cash provided by financing activities will be negative due primarily to dividends paid and repayment of long-term borrowings.

## (3) Basic policy regarding profit distribution to shareholders and dividends for the year ended September 30, 2011

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 ¥500 to ¥4,000, in consideration of the achievement of record high consolidated operating income and ordinary income for the sixth consecutive year and to increase the return of profits to shareholders through dividends, while in view of the outlook for lower profits in the fiscal year ended September 30, 2012. As a result, the total payout ratio for the fiscal year under review is 29.7%.

\* 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)
¥534 million	—	¥1,797 million	29.7%

## 2 Consolidated Financial Statements

### (1) Consolidated Balance Sheets

As of September 30, 2010 and 2011

	Thousands of yen	
	2010	2011
Assets		
Current assets		
Cash and deposits	3,099,008	3,108,759
Accounts receivable-trade	7,669,115	7,633,523
Advances	190,024	92,322
Prepaid expenses	259,783	241,414
Accounts receivable-other	168,418	110,191
Deferred tax assets	789,718	614,747
Other	29,526	40,407
Allowance for doubtful accounts	(333,355)	(370,934)
Total current assets	11,872,239	11,470,431
Non-current assets		
Tangible fixed assets		
Leasehold improvements	283,027	313,131
Accumulated depreciation	(137,729)	(164,298)
Leasehold improvements, net	145,297	148,832
Tools, furniture and fixtures	192,253	288,659
Accumulated depreciation	(108,458)	(183,553)
Tools, furniture and fixtures, net	83,795	105,105
Total tangible fixed assets	229,093	253,938
Intangible assets		
Software	1,511,065	2,005,421
Goodwill	—	313,614
Other	11,439	19,743
Total intangible assets	1,522,504	2,338,779
Investments and other assets		
Investment securities	324,413	643,855
Leasehold deposits	594,264	462,769
Deferred tax assets	508,979	656,341
Other	50,298	66,468
Allowance for doubtful accounts	(10,402)	(10,826)
Total investments and other assets	1,467,553	1,818,608
Total non-current assets	3,219,151	4,411,326
Total assets	15,091,391	15,881,758

	Thousands of yen	
	2010	2011
Liabilities		
Current liabilities		
Accounts payable-trade	1,979,920	1,541,416
Long-term borrowings due within one year	200,196	200,196
Accounts payable-other	1,359,546	1,555,498
Accrued expenses	408,905	451,137
Accrued income taxes	1,248,988	1,044,026
Accrued consumption taxes	129,067	143,613
Allowance for coin usage	869,627	497,141
Reserve for director bonuses	23,652	34,806
Other	67,604	158,471
Total current liabilities	6,287,509	5,626,307
Non-current liabilities		
Convertible bonds	—	61,392
Long-term borrowings	299,314	99,118
Long-term accounts payable	—	92,327
Reserve for retirement benefits	158,934	254,522
Negative goodwill	86,130	77,012
Other	141	141
Total non-current liabilities	544,520	584,514
Total liabilities	6,832,029	6,210,822
Net assets		
Shareholders' equity		
Common stock	2,562,740	2,562,740
Capital surplus	3,072,920	3,072,920
Retained earnings	2,580,485	3,819,710
Treasury stock	(90,624)	—
Total shareholders' equity	8,125,522	9,455,371
Unrealized gain and translation adjustment		
Unrealized gain on available-for-sale securities	21,564	25,923
Translation adjustment	(1,590)	6,971
Total accumulated other comprehensive income	19,973	32,895
Subscription rights to shares	113,865	163,897
Minority interests	—	18,771
Total net assets	8,259,361	9,670,935
Total liabilities and net assets	15,091,391	15,881,758



## (2) Consolidated Statements of income and comprehensive income

Consolidated Statements of income

For the years ended September 30, 2010 and 2011

	Thousands of yen	
	2010	2011
Net sales	30,836,621	32,342,204
Cost of sales	8,415,026	7,571,844
Gross profit	22,421,594	24,770,360
Selling, general and administrative expenses	19,289,697	21,067,962
Operating income	3,131,896	3,702,398
Non-operating income		
Interest income	116	215
Dividends income	3,683	4,125
Amortization of negative goodwill	9,117	9,387
Equity in gain of affiliates	116	—
Gain on reversal of subscription rights to shares	—	7,456
Other	10,302	8,327
Total non-operating income	23,336	29,512
Non-operating expenses		
Interest expenses	17,379	13,636
Equity in loss of affiliates	—	12,290
Consumption taxes adjustment	—	7,644
Other	5,188	5,978
Total non-operating expenses	22,567	39,549
Ordinary income	3,132,665	3,692,360
Extraordinary gains		
Gain on sales of investment securities	103,198	—
Reversal of allowance for coin usage	—	246,941
Other	7,732	—
Total extraordinary gains	110,930	246,941
Extraordinary losses		
Loss on retirement of non-current assets	70,791	57,660
Loss on devaluation of investment securities	62,103	75,413
Loss on cancellation of lease contracts	55,768	—
Goodwill impairment loss	—	200,183
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	27,821
Total extraordinary losses	188,664	361,079
Income before income taxes	3,054,931	3,578,222
Income taxes-current	1,434,800	1,790,061
Income taxes-deferred	(204,785)	24,617
Total income taxes	1,230,014	1,814,678
Income before minority interests	—	1,763,543
Minority interests in net income	—	(34,213)
Net income	1,824,916	1,797,757

Consolidated Statements of comprehensive income  
For the years ended September 30, 2010 and 2011

	Thousands of yen	
	2010	2011
Income before minority interests	—	1,763,543
Other comprehensive income		
Unrealized gain on available-for-sale securities	—	4,359
Translation adjustment	—	10,246
Equity in affiliates accounted for by equity method	—	(1,683)
Total other comprehensive income	—	12,922
Comprehensive income	—	1,776,465
(Breakdown)		
Comprehensive income attributable to shareholders of parent company	—	1,810,679
Comprehensive income attributable to minority shareholders	—	(34,213)

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

For the years ended September 30, 2010 and 2011

	Thousands of yen	
	2010	2011
Shareholders' equity		
Capital stock		
Balance at the end of precious period	2,535,392	2,562,740
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	27,347	—
Total changes of items during the period	27,347	—
Balance at the end of current period	2,562,740	2,562,740
Capital surplus		
Balance at the end of precious period	3,045,573	3,072,920
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	27,347	—
Total changes of items during the period	27,347	—
Balance at the end of current period	3,072,920	3,072,920
Retained earnings		
Balance at the end of precious period	1,123,839	2,580,485
Changes of items during the period		
Cash dividends	(268,684)	(467,908)
Net income	1,824,916	1,797,757
Cancellation of treasury stock	(99,587)	(90,624)
Total changes of items during the period	1,456,645	1,239,224
Balance at the end of current period	2,580,485	3,819,710
Treasury stock		
Balance at the end of precious period	—	(90,624)
Changes of items during the period		
Purchase of treasury stock	(190,211)	—
Retirement of treasury stock	99,587	90,624
Total changes of items during the period	(90,624)	90,624
Balance at the end of current period	(90,624)	—
Total shareholders' equity		
Balance at the end of precious period	6,704,805	8,125,522
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	54,695	—
Cash dividends	(268,684)	(467,908)
Net income	1,824,916	1,797,757
Purchase of treasury stock	(190,211)	—
Retirement of treasury stock	—	—
Total changes of items during the period	1,420,717	1,329,849
Balance at the end of current period	8,125,522	9,455,371

	Thousands of yen	
	2010	2011
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities		
Balance at the end of previous period	42,897	21,564
Changes of items during the period		
Net changes of items other than shareholders' equity	(21,332)	4,359
Total changes of items during the period	(21,332)	4,359
Balance at the end of current period	21,564	25,923
Translation adjustment		
Balance at the end of previous period	—	(1,590)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,590)	8,562
Total changes of items during the period	(1,590)	8,562
Balance at the end of current period	(1,590)	6,971
Total accumulated other comprehensive income		
Balance at the end of previous period	42,897	19,973
Changes of items during the period		
Net changes of items other than shareholders' equity	(22,923)	12,922
Total changes of items during the period	(22,923)	12,922
Balance at the end of current period	19,973	32,895
Subscription rights to shares		
Balance at the end of previous period	59,377	113,865
Changes of items during the period		
Net changes of items other than shareholders' equity	54,487	50,031
Total changes of items during the period	54,487	50,031
Balance at the end of current period	113,865	163,897
Minority interests		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	18,771
Total changes of items during the period	—	18,771
Balance at the end of current period	—	18,771
Total net assets		
Balance at the end of previous period	6,807,080	8,259,361
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	54,695	—
Cash dividends	(268,684)	(467,908)
Net income	1,824,916	1,797,757
Acquisition of treasury stock	(190,211)	—
Net changes of items other than shareholders' equity	31,564	81,724
Total changes of items during the period	1,452,281	1,411,574
Balance at the end of current period	8,259,361	9,670,935

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

For the years ended September 30, 2010 and 2011

	Thousands of yen	
	2010	2011
Net cash provided by operating activities		
Income before income taxes	3,054,931	3,578,222
Depreciation and amortization	914,344	1,167,125
Amortization of goodwill	—	111,671
Amortization of negative goodwill	(9,117)	(9,387)
Allowance for doubtful accounts	(3,700)	35,063
Allowance for coin usage	66,562	(372,485)
Increase in reserve for retirement benefits	38,524	95,588
Interest and dividends income	(3,799)	(4,340)
Interest expenses	17,379	13,636
Equity in loss (gain) of affiliates	(116)	12,290
Loss on retirement of non-current assets	70,791	57,660
Gain on sales of investment securities	(103,198)	—
Loss on devaluation of investment securities	62,103	75,413
Impairment loss of goodwill	—	200,183
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	27,821
Increase in accounts receivable - trade	(935,449)	87,272
Decrease (increase) in advances	128,429	97,702
Decrease (increase) in prepaid expenses	34,154	44,400
Decrease (increase) in accounts receivable-other	(16,745)	58,981
Increase in accounts payable-trade	5,597	(442,341)
Increase in accounts payable-other	236,483	24,937
Increase in accrued expenses	61,117	38,907
Increase (decrease) in accrued consumption taxes	63,107	14,196
Other	58,293	83,971
Subtotal	3,739,696	4,996,492
Interest and dividends income received	79,383	4,340
Interest paid	(17,379)	(13,636)
Income taxes paid	(626,221)	(2,000,806)
Net cash provided by operating activities	3,175,478	2,986,389
Net cash provided by investing activities		
Purchase of tangible fixed assets	(61,805)	(60,065)
Purchase of intangible fixed assets	(1,117,675)	(1,642,686)
Payment for acquisition of investment securities	(44,057)	(409,477)
Proceeds from sales of investment securities	236,200	8,000
Collection of loans	—	(414,829)
Increase in leasehold deposits	—	140,745
Other	(17,103)	(39,370)
Net cash provided by investing activities	(1,004,442)	(2,417,684)

	Thousands of yen	
	2010	2011
Net cash provided by financing activities		
Repayments of long-term borrowings	(200,196)	(200,196)
Redemption of corporate bonds	—	64,704
Proceeds from issuance of shares	54,695	269
Payment for acquisition of treasury stock	(190,211)	—
Dividends paid	(268,684)	(467,908)
Other	—	(16,786)
Net cash provided by financing activities	(604,395)	(619,917)
Translation adjustments on cash and cash equivalents	—	10,246
Net increase (decrease) in cash and cash equivalents	1,566,640	(40,966)
Cash and cash equivalents at beginning of period	1,532,367	3,099,008
Decrease resulting from elimination of subsidiaries from scope of consolidation	—	50,717
Cash and cash equivalents at end of period	3,099,008	3,108,759

## (5) Segment Information

(Segment information by business category)

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.

(Geographical segment information)

For the years ended September 30, 2010

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

(Overseas sales)

For the years ended September 30, 2010

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

(Segment Information)

For the years ended September 30, 2011

The MTI provides mobile phone content distribution (site operation) and related services. Although previously the Company disclosed information by classifying operations into two segments, the content distribution business and the mobile advertising business, our major objective is not to independently operate the mobile advertising business as an advertising revenue-driven business, but for the mobile advertising business to perform the function of sending customers to the content distribution business (pay-per-use site). Since the two businesses are in a mutually complementary relationship, the Company allocates enterprise resources and evaluates business performance on a groupwide basis. Accordingly, only one business segment exists. As a result, such segment information has been omitted.

(Additional Information)

Beginning in the first quarter of the fiscal year ended September 30, 2011, the Company has applied "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 of March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 of March 21, 2008).